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No. 02-489

IN THE SUPREME COURT OF THE UNITED STATES

JARROW FORMULAS, INC.

Petitioner,

v.

NUTRITION NOW, INC.

Respondent.

On Petition for a Writ of Certiorari to the United State Court of Appeals for the Ninth Circuit

PETITION FOR A WRIT OF CERTIORARI

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September 23, 2002

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QUESTIONS PRESENTED

Which Circuit Court of Appeals standard should apply in determining whether a laches defense is available under the Lanham Act when a plaintiff seeks only to prevent ongoing mislabeling and false advertising?

Whether it is inherently harmful to the public interest, and therefore impermissible, to apply laches in a way that allows a defendant to continue to market to the public a product with its ingredients mislabeled?

PARTIES TO THE PROCEEDING

The following were parties to the proceedings in the Ninth Circuit Court of Appeals: Jarrow Formulas, Inc., Appellant, and Nutrition Now, Inc., Appellee.

CORPORATE DISCLOSURE STATEMENT

In accord with Supreme Court Rule 29.6, Petitioner states that Jarrow Formulas, Inc., is a for-profit corporation that has no parent corporation. No publicly held company holds 10% or more stock in Jarrow Formulas, Inc.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner respectfully prays for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit. The Ninth Circuit held that laches barred Petitioner's effort to enjoin ongoing mislabeling and false advertising of a nutritional supplement. The decision aggravated a clear split in the Circuit Courts of Appeals regarding whether laches is available under the Lanham Act as a defense to claims for prospective injunctive relief—and if so, under what circumstances. The issue is squarely presented to this Court on the facts of the case, and the issue has been well-preserved on appeal.

This Court should not wait to address this issue in a future case because the unusual decision by the Ninth Circuit below causes ongoing harm to the public interest. The Ninth Circuit decision, in conflict with several circuits, allows marketers to continue distributing deliberately mislabeled products, if the marketer has made significant investments in marketing the mislabeled product, and the mislabeled products do not directly injure consumers.

The issue is not whether competitors can recover damages for lost market share. That issue is settled—competitors who wait too long may lose their claims for damages. The issue is whether a competitor may stop *ongoing* public deception. Under the Ninth Circuit standard, consumers may be duped indefinitely into buying useless elixirs from modern snake oil salesmen. Legitimate marketers of vitamins and health foods, who wait too long to formalize their objection in an expensive lawsuit, cannot stop them. Appropriate consideration of the public interest warrants a writ of certiorari to review the Ninth Circuit standard—especially under these particular facts, as the actual injury to public health and safety is difficult to identify in the relatively unregulated nutritional supplements industry.

OPINIONS BELOW

The opinion of the Ninth Circuit Court of Appeals (Pet. App. 44a-66a) is reported at 2002 WL 1163624. The order of the United States District Court for the Central District of California (Pet. App. 1a-21a) is not reported.

JURISDICTION

The judgment of the Ninth Circuit Court of Appeals affirming the trial court's grant of summary judgment was entered on June 4, 2002. *See* Pet. App at 44a. Petitioner filed a timely suggestion for panel rehearing and rehearing en banc, which was denied on June 25, 2002. *See* Pet. App. at 22a. Consequently, this petition is timely under Supreme Court Rule 13(1). This Court has jurisdiction over that judgment pursuant to 28 U.S.C. § 1257(a).

CONSTITUTIONAL PROVISIONS INVOLVED

There are no constitutional provisions implicated by this litigation.

STATEMENT OF THE CASE

Petitioner Jarrow Formulas markets health food supplements. One of Petitioner's must successful products is Jarro-Dophilus®, a probiotic supplement. Jarrow Formulas has marketed Jarro-Dophilus since 1987 and is one of the leading vendors of probiotics in the United States health food store marketplace. Jarro-Dophilus has a potency exceeding 10 billion organisms per gram at time of manufacture, and maintains its potency until its stated expiration date, which is 18 months from the time of manufacture, provided the product is kept refrigerated. Jarrow's lactic acid bacteria ("LAB") probiotics all state on the label that the product must be kept refrigerated.

Respondent Nutrition Now markets, distributes and

partly manufactures several lactic acid bacteria probiotic products with trade names including PB8, PB6, PB4, and PB2. The principal product of Nutrition Now is sold under the trade name PB8. Nutrition Now began marketing PB8 throughout the United States, including the State of California, approximately ten years ago. Nutrition Now labeled its product with knowingly false and inaccurate claims regarding PB8's contents.

Nutrition Now currently markets PB8 with labeling, literature, and advertising containing the following claims:[1]

a. That the product contains eight different active types of lactic acid bacteria, listed on the label in the following order: Lactobacillus acidophilus, Lactobacillus plantarum, Lactobacillus bulgaricus, Lactobacillus casei, S. thermophilus, Bifidobacterium bifidum, S. faecium, and Bifidobacterium infantis;[2]

b. That the product does not require refrigeration, as

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[1] When this lawsuit was filed, Nutrition Now had been making numerous additional false claims on its label, including the total amount of bacteria present in its product. Over the years, Nutrition Now has ceased making some of these label claims, such as the claim that each 500 mg capsule of PB8 contained 14 billion organisms of "good bacteria." Petitioner remains concerned that Respondent will resurrect those false claims if this lawsuit remains dismissed.

[2] The PB8 label does not list the count of each individual bacteria that the label claims is in the product. This is itself a technical violation of FDA regulations issued pursuant to the Dietary Supplement Health and Education Act of 1994 (DSHEA), which require that each ingredient be labeled for its active quantity or amount. *See, e.g.*, 21 U.S.C. § 352 (1998); Pub. L. No. 103-417, 108 Stat. 4325 (1994); Pub. L. No. 101-535, 104 Stat 2353 (1990)

long as it is "store[d] in a cool dry place with the cap on tight;"

c. That the product has an expiration date (without refrigeration) that is two years after the date of manufacture.

Each of these factual claims is demonstrably false.[3]

Because of Petitioner's extensive experience in marketing probiotic products, Petitioner strongly suspected that many of these claims were false. To the Petitioner, hearing of a lactic acid bacteria probiotic product that did not require refrigeration was as unusual as, for example, hearing about milk or yogurt that allegedly needed no refrigeration. However, Petitioner had difficulty finding adequate facilities to test the veracity of the Respondent's claims. Even today, only roughly a dozen facilities in the United States have laboratories with the facilities and staff necessary to test these claims, and there were substantially fewer ten years ago. Most of these facilities are manufacturers and suppliers of the bacteria used in lactic acid bacteria products, and have explicit or *de facto* policies against testing products for litigation purposes. Further complicating the Petitioner's challenge was Respondent's

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[3] Nutrition Now has no valid scientific studies that would confirm any of its claims. During this litigation, Nutrition Now proffered one study. However, this study indicates that the laboratory used a scientifically invalid procedure called "subculturing," wherein the bacteria are re-cultured (regrown) before being counted. Furthermore, remarkably, the lab performed the analysis only on PB8 that had remained refrigerated. Hence, it is irrelevant to the claims in this litigation.

insistence, in response to complaints, that its PB8 product had a "special protein matrix coating" applied during the manufacturing process that would foil attempts to test the amount of active bacteria of the product in a laboratory. Ultimately, this claim likewise proved to be false.

Eventually, Petitioner convinced its supplier, a prominent and well-regarded manufacturer, to change its policy against such testing. Bottles from six different lots of PB8 product were extensively tested by Institut Rosell, Inc. ("Rosell"), a 64 year-old company that produces lactic acid bacteria by microbiological fermentation. The Institut Rosell has a fully equipped and staffed analytical lab, and invested substantial effort and expense to perform the tests.

Each of the six different tests finally confirmed what the Petitioner had long suspected. Test results of PB8 revealed that:

- PB8 does not, as the label states, contain eight different species of lab activated bacteria. Instead, within a month of manufacture, only one species of bacteria remains active – a bacteria which the label calls S. faecium,[4] which is the hardiest species at room temperature. The potency of even that one remaining species is dramatically decreased.

- Thus, PB8's stated expiration date and its labal claim, "no need to refrigerate," are likewise demonstrably false. Only through refrigeration, or by changing the expiration date to a date less than a month from the date of manufacture, could PB8 even

[4] Enterococcus or E. facium is the current nomenclature for the bacteria that Respondent refers to on its label as Streptococcus or S. facium.

possibly contain seven of the eight forms of active bacteria listed on its label.

In short, Nutrition Now uses false and misleading descriptions and representations of fact in its labeling and advertising of PB8, misrepresenting the number of active bacteria strains in its product (and therefore, by implication, its quality). By mislabeling its products, Nutrition Now creates the impression that other acidophilus products listing fewer strains of active bacteria on the label are inferior to PB8 and not as shelf stable.

By using such deceptive practices to save costs over the last ten years, the Respondent has developed a significant market share, much of it at Petitioner's expense. Petitioner is resigned to the fact that this injury will never be remedied. In addition to the challenge of locating reliable testing facilities, Petitioner tried for years to convince Respondent to stop its mislabeling voluntarily—which ultimately resulted in the settled application of laches to bar Petitioner's damages claims.

However, the issue of ongoing public deception poses a distinct legal issue. As a matter of common sense, and as least one circuit has forcefully stated, a continuing wrong appears ill-suited to application of laches—an equitable doctrine designed to foreclose stale or long-abandoned claims. Petitioner accordingly presents the opportunity to resolve a deep split among the Circuit Courts as to whether a continuing wrong may continue indefinitely if laches bars claims for damages. Moreover, a vital issue of candor in the marketplace depends upon this Court's timely intervention.

Proceedings Below

On August 18, 2000, Jarrow filed its initial complaint against Nutrition Now for mislabeling PB8. As amended on August 23, 2000, Jarrow's complaint included claims of Unfair Competition, mislabeling under the Lanham Act (15 U.S.C. § 1125(a)), and unfair trade practices and false advertising under California law. On September 12, 2000, Nutrition Now filed a motion to dismiss or for summary judgment, which was granted by the district court on November 13, 2000.

The district court ruled that all of Jarrow's claims were barred by the statute of limitations, and that even if Nutrition Now's continued mislabeling of its product constituted a "continuing wrong" so as to make the statute of limitations inapplicable, Jarrow's claims were barred by laches in delaying seven years to file suit. Jarrow's good faith attempts to avoid litigation by threatening to sue the Respondent, and by filing a complaint with the National Nutritional Foods Association (NNFA),[5] were interpreted by the district court as evidence that Jarrow was on notice as early as 1993 of its Lanham Act claims against Nutrition Now. Judgment was entered on November 14, 2000. Jarrow's motion for reconsideration was denied on January 14, 2001.

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[5] Jarrow's complaint to the NNFA was filed concurrently with, and based on the testimony of, Alpha Omega, a laboratory that Nutrition Now had purportedly used to test its product, which was at the time willing to state that a lab report circulated by Nutrition Now was actually a forgery by Nutrition Now using Alpha Omega letterhead that Nutrition Now had also forged. After Nutrition Now threatened to sue the laboratory, Alpha Omega withdrew its concurrent complaint to the NNFA, without giving an explanation to Jarrow Formulas. Without the testimony of Alpha Omega, and with no laboratory of its own to test the product, NNFA dismissed the complaint.

Jarrow appealed the summary judgment, arguing *inter alia* that its claims for prospective injunctive relief under the Lanham Act were not barred by laches as a matter of law, and that the public interest disfavored such use of laches in a mislabeling case of this sort, as opposed to, for example, a garden variety trademark infringement case. In a published opinion handed down on June 4, 2002, the Ninth Circuit Court of Appeals upheld the District Court's ruling on the laches issue, essentially stating that the defendant's interest in protecting its "investment" in the "advertising" of a mislabeled dietary supplement outweighed the public's interest in knowing the truth. The appellate court never discussed the mislabeling of the components of that supplement. On June 18, 2002, Jarrow filed a petition for panel rehearing and suggestion for rehearing *en banc*. The petition was denied on June 25, 2002.

REASONS FOR ISSUING THE WRIT

A writ of certiorari should issue because the Ninth Circuit (a) held that Jarrow's claims for prospective injunctive relief under the Lanham Act were barred by laches, and focused the laches analysis primarily on prejudice to the defendant's *business*; and (b) split with the Third and the Sixth Circuits, which apply laches only rarely, and focus on the length of the plaintiff's delay or prejudice to the defendant's *defense*, and the Fourth Circuit, which does not recognize a laches defense in Lanham Act cases at all. Along with the Ninth Circuit, the Seventh Circuit also recognizes a laches defense to Lanham Act claims where the defendant shows prejudice to his *business* based on the development of an ongoing marketing strategy.

With at least five circuits weighing in on the issue, the split is deep enough to merit review by this Court. The issue has been well-preserved on appeal and there is no independent basis for the lower court's ruling on this issue.

Further, this Court should not delay in granting certiorari because the Ninth Circuit ruling threatens serious harm to the public if left unchecked. If distributors, including those of nutritional supplements, may continue mislabeling their products without fear (provided they persist a few years without being sued), public trust in the accuracy of product labels may be seriously compromised. For this reason, most circuits do not apply laches to a claim for prospective relief in this circumstance. At this moment, consumers are buying PB8, believing that it contains eight different species of active bacteria, and does not require refrigeration, when in fact science has disproven these claims. Moreover, consumers may purchase probiotic products for important health reasons—for example, restoring friendly bacteria after an antibiotics regimen. If they are not getting the benefit claimed, product mislabeling may then move from the realm of public candor to the vital realm of public health.

If Jarrow delayed too long in bringing suit, it has been adequately punished by the loss of any claim for damages from the market share that the defendant gained by making false claims about its product. There is no reason to punish probiotic consumers as well by preventing Jarrow from bringing an action to stop such product mislabeling in the future. Mislabeling of ingredients should not be prospectively permitted simply because the one who mislabels, for whatever reason, has succeeded in mislabeling the ingredients of the product for a period of a few years without being sued by anyone. Any contrary holding is tantamount to judicially-endorsed fraud on the public.

Finally, absent action from this Court, the decision below will severely jeopardize the ability of product distributors within any given industry to police themselves. In the nutritional supplements industry, the absence of such self-policing could be especially devastating, because, unlike the manufacturers of drugs, the FDA does not evaluate the

accuracy of statements made by manufacturers of nutritional supplements. "Because [nutritional] supplements are labeled and marketed as 'dietary supplements,' there are no established standards or manufacturing controls for them, nor standards by which to judge their effectiveness or their safety." Kelly Kaczka, *From Herbal Prozac to Mark McGuire's Tonic: How the Dietary Supplement Health and Education Act Changed the Regulatory Landscape For Health Products*, 16 **J. Contemp. Health L. & Pol'y** 463, 464 (2000). Under the current state of the law, largely as the result of powerful nutrition supplement lobbies in Congress, today's "[c]onsumers are unknowingly taking their health into their own hands through the use of dietary supplements." *Id.* This gaping hole in the regulatory framework, which has been observed both by numerous legal scholars as well as the media,[6] underscores the importance of industry self-regulation and counsels judicial restraint in creating rules of law that stymie such self-policing.

I. THE CIRCUIT COURTS OF APPEALS ARE DEEPLY SPLIT OVER WHETHER, AND UNDER WHAT CIRCUMSTANCES, LACHES IS AVAILABLE AS A DEFENSE TO CLAIMS FOR PROSPECTIVE INJUNCTIVE RELIEF UNDER THE LANHAM ACT.

The Ninth Circuit decision in *Jarrow* accords with the Seventh Circuit in applying laches to bar claims for prospective injunctive relief under the Lanham Act, even

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[6] *See, e.g.*, Margaret Gilhooley, *Deregulation and the Administrative Role: Looking at Dietary Supplements*, 62 **Mont. L. Rev.** 85 (2001); Marian Burros, *Eating Well: Dietary Supplements: Let the Buyer Beware*, **N.Y. Times.**, Oct. 16, 1991, at C1; *Herbal Supplements, What You Don't Know Can Hurt You*, **GLAMOUR**, Oct. 1998, at 314.

where the delay has been relatively short (7-20 years), as long as there has been a sort of "detrimental reliance" by the defendant, generally in the form of investments in marketing strategy based on those false claims that might be jeopardized by the injunction. These decisions conflict with the Third and Sixth Circuit approaches, which allow the use of laches only in a "rare class of cases" where the plaintiff's temporal delay has been so outrageously long that its right to complain can only fairly be deemed completely abandoned (20+ years). The Fourth Circuit refuses to apply laches to claims for prospective relief. Jarrow contends that the Fourth Circuit has taken the approach that best accords with common sense and sound policy, but the confusion in the lower courts should be addressed by this Court in any event.

The Seventh and Ninth Circuits have developed a problematic rule of law that allows a laches defense even though a relatively short period of time has passed—and, most remarkably, *even allows the doctrine to bar efforts at preventing injuries to the public that have not yet occurred.* These circuits began recognizing the defense in the context of Lanham Act claims of trademark infringement—where the public interest will generally favor the defendant. Allowing ongoing trademark infringement to occur, where the plaintiff has acquiesced too long, increases competition and lowers prices, and therefore in a sense benefits the public interest. Unfortunately, when later cases arose in the context of Lanham Act false advertising and mislabeling, these circuits tended to blindly extend the exceedingly generous availability of laches to defendants without regard to the differing public interests involved. Mislabeled food supplements, for example, might pose a serious health risk if a consumer reacted differently to differing ingredients, or to the presence of ingredients that are not listed on the label. Furthermore, even without *physical* harm to the public, the Ninth Circuit ruling has the effect of eroding public confidence in ingredient labeling.

This mischief is most evident in the Ninth Circuit. Although the Ninth Circuit has probably recognized laches as a defense in Lanham Act-type cases since 1960, when it applied a laches analysis in a copyright case, it originally denied the defense to a claim of prospective relief. In *Hampton v. Paramount Pictures*, 279 F.3d 100 (9th Cir. 1960), Paramount Pictures sued a former licensee that it felt was misusing a silent motion picture film "the Covered Wagon," seeking past damages and injunctive relief. The district court granted only prospective relief, and the Ninth Circuit affirmed, despite the defendant's claim of laches arising from the plaintiff's decision to wait more than twenty-five years to bring the suit. The Court's opinion was cryptic regarding why the defense was unavailing in that case. "Only future use of the films is enjoined. Hence Paramount's knowledge [of the fact that the work had been infringed upon] in years past ... is immaterial. ... We conclude that the trial court did not err." *Id.* at 105.

By this reasoning, of course, laches would in practice never apply to claims for prospective relief. But this reasoning was abandoned in *Danjaq v. Sony Corp.*, 263 F.3d 942 (9th Cir. 2001), in which the Court recognized a laches defense to a claim for prospective injunctive relief in a copyright case. Therein, the plaintiff sued the makers of various James Bond films for copyright infringement when the movies were released for the first time on DVD. Even though its claims were brought within the statute of limitations, the Court found them barred by laches, on the theory that denying a laches defense would allow the plaintiff to postpone bringing suit in "continuing wrong" cases indefinitely. *See id.* at 952-53. Though it called the application of laches in such a situation "unusual," the Court concluded that the plaintiff's "extraordinary delay and extraordinary prejudice to Danjaq render laches appropriate despite the statute of limitations." *Id.* at 954.

Under the *Danjaq* standard, the Ninth Circuit would allow a defense of laches if the defendant shows (1) that the plaintiff unreasonably delayed in bring the suit, and (2) that he was prejudiced by the delay. "Prejudice," as used in the *Danjaq* standard, means *not* the customary prejudice to the Defendant's availability to mount a defense, or "evidentiary prejudice." *See, e.g., Order of Railroad Telegraphers v. Railway Express Agency, Inc.*, 321 U.S. 342, 348-49 (1944) ("[Laches is] designed to promote justice by preventing surprises through the revival of claims that have been allowed to slumber until evidence has been lost, memories have faded, and witnesses have disappeared."). Instead, "prejudice," as used in the *Danjaq* standard, means "financial prejudice,"[7] meaning harm to the defendant's business that might result if the plaintiff were allowed to pursue a claim.

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[7] *See* 27A Am. Jur. 2d *Equity* § 180 (2002) (discussing distinction between two types of prejudice, and relying heavily on cases challenged herein even to acknowledge the *existence* of "financial" prejudice). Many courts do not, in fact, recognize such "financial" prejudice. *See National Ass'n of Government Employees v. City Public Service Bd. of San Antonio, Texas*, 40 F.3d 698, 710 (5th Cir. 1994) ("To support a determination of laches, there must be more than simply an inexcusable delay; the party asserting laches must also establish that it has been *prejudiced by the delay, that is, that the delay has caused a disadvantage in asserting and establishing a claimed right or defense*." (emphasis added) (internal quotation omitted)). Other Courts have held that a defendant has not shown "financial" prejudice where a delay has merely permitted him to enjoy a wrongfully obtained benefit for a longer period of time. *See, e.g., Provident Life and Accident Ins. Co. v. Driver*, 451 S.E.2d 924, 929 (S.C. App. 1994). The Seventh and Ninth Circuits obviously disagree with these Courts over basic notions of what may constitute "prejudice" for laches purposes, creating a split in the lower courts on this issue as well. A grant of certiorari on the questions presented in this appeal could afford the Court the opportunity to address this split as well.

The *Danjaq* court rejected the plaintiff's argument that laches does not bar a claim for prospective relief, and explained that, "[t]his principle, although generally sound, does not apply where, as here, the feared future infringements are subject to the same prejudice that bars retrospective relief." *Id.* at 959. Because the court believed that re-releases of copyrighted works infringed on the plaintiff's rights in the same way as the originals, the Court easily found that the plaintiff's suit posed the same kind of prejudice. *See id.* at 960.

While this transformation occurred in the Ninth Circuit, the law was also sliding down the same slippery slope in the Seventh Circuit. As early as 1960, the Seventh Circuit permitted a laches defense to claims for prospective relief in trademark cases. In *Seven-Up v. O-So-Grape*, 283 F.2d 103 (7th Cir. 1960), the plaintiff sued for infringement on the grounds that the defendant's use of "Bubble-Up" to market its product infringed on the 7-Up trademark. The plaintiff conceded that laches barred recovery for past infringement, but sought an injunction against future infringement, which was granted by the district court. The Court of Appeals reversed, noting that laches did not automatically prevent injunctive relief but that "in many instances, the delay may be so prolonged and inexcusable that it would be inequitable to permit the plaintiff to seek injunctive relief as to future activities." *Id.* at 106. *In determining whether the delay was so prolonged, the Court did not look so much at the passage of time, but on whether the defendant had invested in reliance on the plaintiff's delay.* The Court explained, "[i]n the case at bar, much more than [a] mere [thirteen-year] delay is present. ... It would be highly inequitable to permit plaintiff at this late date, to seriously damage, if not destroy, defendants' business by use of injunctive relief." *Id.*

There is no principled basis for the concept that the defendant's marketing investments, rather than prejudice to

the defendant's ability to present a case in court, may establish prejudice. In an age where millions of dollars can be invested in advertising in a single thirty-second commercial during the Super Bowl, laches may come into play even where the delay in bringing suit is extremely brief.

The Seventh Circuit confirmed the availability of the laches defense to bar even prospective relief in a case cited by the Ninth Circuit in the instant case, *Hot Wax v. Turtle Wax*, 191 F.3d 813 (7th Cir. 1999). There, the Seventh Circuit affirmed the district court's application of laches to the plaintiff's claim that Turtle Wax was mislabeling its products—labeling them as "wax," when in fact the products contained no actual "wax," but rather only various chemical compounds that operated as wax. The delay involved in that case was more than twenty years, during which time the plaintiff had negotiated with the defendant to stop the labeling of its products as wax, and engaged in a letter-writing campaign to various agencies accusing the defendant of mislabeling its product. Finding that such conduct did not constitute a "reasonable" delay, the Seventh Circuit then found severe prejudice to the defendant, which had invested significant sums of money in marketing its products as "Turtle Wax" and the like.[8] Although some of the

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[8] The facts of *Hot Wax* were far less egregious than those of the instant case, however, in that opinions reasonably differ over the meaning of "wax" and whether or not the chemical compounds of Turtle Wax reasonably fell within the definition of that word – as experts had testified at trial and as one of the agencies petitioned actually held. *See* 191 F.3d at 817. Interestingly, the Seventh Circuit found it necessary to inquire into the *merits* of the case sufficiently to satisfy itself that the defendant had not *really* engaged in material public deception—which underscores how unwieldy and ultimately unworkable the Seventh and Ninth Circuit standard becomes in actual practice.

(continued...)

defendant's actions had taken place within the statute of limitations, the Court concluded "[w]ithout the availability of the application of laches to a claim arising from a continuing wrong, a party could, theoretically, delay filing suit indefinitely. It would certainly be inequitable to reward this kind of dilatory conduct." *Id.* at 821.[9] Consequently, under circumstances posing "prejudice" to defendant's *investment*, the Seventh Circuit established the rule that it would allow laches as a defense against a plaintiff's claim for prospective injunctive relief under the Lanham Act.

The Ninth Circuit decision in the instant case is the culmination (or the nadir) of the expansion of laches in the Seventh and Ninth Circuits, and brings into the sharpest relief

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In any event, there can be no honest difference of opinion as to whether Nutrition Now's PB8 contains the number of active bacteria strains presented on its label, and whether or not its product requires refrigeration. The veracity of these claims is subject to scientific analysis, and they are either accurate or they or not. In this sense, a closer reading of *Hot Wax* actually supports Petitioner's position: Turtle Wax was investigated for ingredient mislabeling, and both a regulatory agency, and later a court, found that the word "wax" served well enough to describe the chemical ingredients contained within a bottle of Turtle Wax. In essence, the Court concluded that Hot Wax was not deceiving the public—meaning that there could be no continuing injury to enjoin, and that laches, in a somewhat empty and formal sense, could serve to bar plaintiff's claim for prospective relief. Had Turtle Wax falsely listed "carnuba wax" as an ingredient, that Court may well have reached a different result.

[9] The Court appeared to be concerned about allowing a competitor to ambush a business based upon technical infringement that does not materially injure the public. A proper rule of law could accommodate such a concern with different facts, but the Seventh and most especially the Ninth Circuit decisions go far beyond such a balancing of business fairness and allow, in essence, perpetual public deception if the deceiver has invested in the deception for long enough.

to date the conflict among the circuits over the availability of laches to bar prospective relief. The Ninth Circuit never paused to consider any distinction between false advertising claims and ingredient mislabeling claims, and erroneously referred to Petitioner's ingredient mislabeling claims as false advertising claims. *See* Appellant's Petition for Rehearing, Petn. App. at 35a-37a. Citing *Danjaq*, the Court required only that Nutrition Now show both "prejudice," and unreasonable delay. *Jarrow Formulas v. Nutrition Now*, No. 01-55154 (9th Cir. 2002) (Slip Op.), Petn. App. at 44a. The Court found Jarrow's delay in the years from 1993-2000 to be "unreasonable," and then found "prejudice" to Nutrition Now—*not* from any missing evidence or fading memories that might complicate Nutrition Now's defense, but from the remarkable fact that "[a]t bottom, Nutrition Now has invested enormous resources in tying PB8's identity to the challenged claims." Petn. App. at 58a-59a.

Moreover, unlike the Seventh Circuit, the Ninth Circuit did not attempt to satisfy itself that its ruling would not bless public deception. Indeed, the Ninth Circuit decision relegates the public interest to the following status: "the ~~public~~'s interest will trump laches only when the suit concerns allegations that the product is harmful or otherwise a threat to public safety and well being." *Jarrow Formulas*, Petn. App. at 61a. By way of example, the Ninth Circuit cites "heart medicine, which if ineffective, would lead to severe consequences." *Id.* In short, the public has a puny interest, apart from life-threatening fraud, compared to the interest of distributors in protecting their investment.

No one knows how many products are currently mislabeled in these circuits. What is known is that the Ninth Circuit has rendered it virtually impossible to prevent Nutrition Now from selling mislabeled products to the consuming public, simply because Nutrition Now has invested a lot of money in, at bottom, lying, and no one filed a lawsuit to make them stop soon enough. The Ninth Circuit

ruling encourages more shady distributors to make false claims about their products, many of them gambling that their deception will go unchecked just long enough for them to claim that they have invested abundant resources in their deception. While a distributor who mislabels products that contain poison (or other ingredients that directly injure the public health by their consumption) may be thwarted in these circuits by regulatory action or by the haphazard application of the "public interest" prong of laches, nothing prevents a gamble on investing large sums of money advertising bottled tap water as "Natural Spring Mineral Water."

At its core, the Ninth Circuit opinion reflects a remarkable judicial blessing of public deception. More reasonable circuits have reached a different and irreconcilable result. In the Fourth Circuit, the rule is established that laches does not bar claims for prospective relief under the Lanham Act at all. In *Lyons Partnership v. Morris Costumes, Inc*, 243 F.3d 789 (4th Cir. 2001), the owner of "Barney" the dinosaur (a popular children's make-believe character) brought a Lanham Act claim against makers of infringing purple dinosaur costumes. The Fourth Circuit reversed a district court ruling that the claims were barred by laches on numerous grounds, including the fact that "in equity under the Lanham Act, laches does not bar a claim for prospective injunctive relief." *Id.* at 797. The Court explained:

> [I]f [a] claim is one for injunctive relief, laches would not apply. A prospective injunction is entered only on the basis of current, ongoing conduct that threatens future harm. Inherently, such conduct cannot be so remote in time as to justify the application of laches. *See* [*Sara Lee Corp.* v. *Kayser-Roth Corp.*, 81 F.3d 455, 461 (4th Cir. 1996)] ("[I]n consideration of the public interest, estoppel by laches may not be invoked to deny

> injunctive relief if it is apparent that the infringing use is likely to cause confusion.").

Id. at 799. The Fourth Circuit thus notes concisely, with simple and powerful logic, two observations that are categorically at odds with the Seventh and Ninth Circuits: **(1)** ongoing harmful conduct "cannot be so remote in time as to justify the application of laches," and **(2)** laches is inappropriate where the public is injured by the ongoing conduct—even if that injury is not a physical one to their health, but rather one caused by "confusion." If the Fourth Circuit does not apply laches to prospective copyright claims, *a fortiori* it would not allow laches to bar product mislabeling claims, where the harm to the public (as opposed to a plaintiff-distributor) is much greater.

The Third Circuit falls somewhere between the Fourth Circuit approach and the Seventh and Ninth Circuit approach. While the Third Circuit will apply laches to Lanham Act claims (both for retrospective and prospective relief) under some circumstances, it distinguishes between two types of laches cases, and only allows laches to bar claims for prospective relief in the most extreme cases. In *University of Pittsburgh v. Champion Products*, 686 F.3d 1040 (3d Cir. 1982), a University trademarked its logo and then sued, under the Lanham Act, its longstanding supplier of sweatshirts for copyright infringement when the supplier refused its demand for royalties on their sale. The Third Circuit upheld the district court's ruling that the University's claim for past royalties was barred by laches, but ruled that laches was not a bar to the University's claim for prospective relief.

The Court identified two different categories of laches cases. First, is the case "where the plaintiff's delay has been so outrageous, unreasonable and inexcusable as to constitute a virtual abandonment of its right." *Id.* at 1044. Where the delay at issue was 100 years, for example, the

court postulated that courts in equity would not grant relief against even the most deliberate infringer. *See id.* In this class of cases, laches would bar prospective relief. Second, and much more common, are "situation[s] in which the plaintiff's less egregious delay will bar its claim for an accounting for past infringement but not for prospective injunctive relief." *Id.* In the case before it, the Court exhaustively reviewed the plaintiff's inactivity in the years prior to bringing suit, and found that, based on the plaintiff's conduct, there was "no indication that Pitt 'abandoned' its name or marks in the sense of non-use or [engaged in] a 'general surrender of the use to the public.'" *Id.* at 1046 (*quoting Menendez* v. *Holt*, 138 U.S. 514, 524 (1888)). Only after this examination did the Court turn to the issue of prejudice to the defendant, and give the issue short shrift, as if to note that the defendant would not qualify for relief even under a more lenient standard.

Under this decision, the Third Circuit can arguably be placed in its own category, though it too would have plainly rejected a laches defense in the instant case. The *University of Pittsburg* decision is clear that laches is a bar to prospective relief only in the most egregious cases—in which the plaintiff may fairly be said to have abandoned its claim.

In the Sixth Circuit, laches is either not available at all to a claim for prospective injunctive relief, or is available only in the most extreme cases, such as where the plaintiff has delayed in bringing suit for a period of time significantly longer than the Seventh and Ninth Circuits, such as a hundred years. If available as a defense at all, the Sixth Circuit approach, like the Third Circuit approach, focuses primarily on the behavior of the plaintiff rather than the defendant.

The Sixth Circuit may not permit laches as a defense to Lanham Act claims for prospective injunctive relief at all. In *Kellogg Company* v. *Exxon Corp.*, 209 F.3d 562 (6th Cir.

2000), Kellogg sued Exxon over the use of a tiger to advertise snack foods at their gas stations, claiming an infringement on their "Tony the Tiger" trademark in violation of the Lanham Act. Exxon urged laches, but the Court rejected this defense, explaining that "[a]lthough laches precludes a plaintiff from recovering damages, it does not bar injunctive relief." *Id.* at 568. Consequently, the Court held that the district court had correctly held that laches was inapplicable, and that Exxon would have to show that the claims were barred by either acquiescence or estoppel in order to defeat them.

Thus, the Sixth Circuit may be closest to the Fourth Circuit, if its declaration is taken literally that laches "does not bar injunctive relief," or it may be closer to the Third Circuit in ordinarily rejecting laches in claims for prospective relief, but reserving a rare class of cases in which the plaintiff has delayed so long as to have abandoned its claim. *See id.* at 570 (citing *University of Pittsburgh v. Champion Products*, 686 F.3d 1040 (3d Cir. 1982)). In either event, the Sixth Circuit would have decided the instant case differently—and both the Third and Sixth Circuits relegate "prejudice" in the form of market investments by the defendant to marginal relevance, instead focusing on the plaintiff's conduct, and whether the plaintiff's delay was so extraordinarily long as to constitute an abandonment of right.

With at least five circuits weighing in on the issue, split two or three different ways, it is now appropriate for the Supreme Court to settle this important issue of law. At the moment, the outcome of any given Lanham Act claim for prospective relief depends crucially on the Circuit in which the plaintiff brings the lawsuit.

II. THE NINTH CIRCUIT SERIOUSLY ERRED IN HOLDING THAT THE PUBLIC INTEREST DOES NOT PREVENT THE APPLICATION OF

LACHES TO PRODUCT MISLABELING CLAIMS.

That the public has an interest in purchasing nutritional supplements that are accurately labeled, and that this interest is sufficient to trump any interest a defendant might have in asserting laches in situations where there has been no jeopardy to the defendant's ability to mount a defense on the merits, ought to be self-evident. In the Ninth Circuit and to a lesser extent the Seventh Circuit, however, the laches rule of law (a) ignores the difference between product mislabeling and intellectual property infringement; (b) ignores the special recognition by Congress of compelling public interest in accurate product labeling; and (c) seriously undermines industry self-regulation where it is most urgently needed.

A. Product Mislabeling Involves a Distinctly Different, and More Egregious, Form of Harm to the Public Than Trademark Infringement.

Product mislabeling claims under the Lanham Act merit closer attention than typical false advertising or trademark infringement cases. The public interest involved fundamentally differs. Imagine the situation of a distributor of denim jeans. Suppose the distributor makes the claim that the jeans are "Levi's," when in fact they are knock-offs. In such a world, it would not be entirely unreasonable to impose a legal rule that if Levi's did not sue the distributor within a certain period of time, then Levi's had abandoned its right to complain that someone else was now making a type of "Levi's" jeans as well. The public interest might even support such a rule, as it would result in more competition and lower prices on jeans bearing a "Levi's" label. Of course, it could also be argued that these lower prices are not beneficial enough to support such a rule, since, "[a]t a minimum, all deceived consumers get defrauded out of the

additional money they were willing to spend to receive what they considered to be a product of greater value." Jared Jacobson, *Comment, Commack Self-Service Kosher Meats, Inc., v. Rubin: Are Kosher Food Consumers no Longer Entitled to Protection From Fraud in the Marketplace?*, 75 **St. John's L. Rev**. 485, 499-500 (2000) (arguing that "whatever reasons a consumer may have for purchasing particular products, [including] nutritional supplements, the state has an interest in protecting its residents from unscrupulous vendors who, without government intervention, will surely take advantage of the unknowing consumer"). But at the end of the day, reasonable minds may differ as to whether or not the public interest has been harmed by the deception. Some customers will have been "duped" into buying knock-off jeans, but all customers would have denim jeans, and some customers would have paid lower prices for them.

Not so with mislabeling cases. Imagine instead that the distributor is selling generic-looking blue-colored jeans, with a label that says "100% denim." In fact, however, all of the jeans are made with polyester and fall apart when the customer fails to treat them with the special care that polyester requires. If Levi's (or any other legitimate clothing manufacturer) took several years to bring a suit to stop the deception, who would say that the public interest is served by barring a suit for prospective relief? Customers are not benefiting from lower prices, and are being fooled as to the very *nature* of the product they are buying, rather than simply the identity of the manufacturer.

The Ninth Circuit entirely ignored this distinction. Only when the defendant's conduct threatens bodily harm will the Ninth Circuit acknowledge the public interest. *See Jarrow Formulas*, Petn. App. at 61a. The Ninth Circuit reached such an absurd result because it was trapped by its own logic. Once the Court held laches applicable not only to trademark infringement cases under the Lanham Act, but also

to false advertising and even ingredient mislabeling cases, it realized that the public's interest in truthful labeling and advertising would virtually always outweigh the defendant's interest in protecting its investment. To "correct" this "problem," the Court so diluted the public interest as to make it virtually irrelevant to Lanham Act laches cases, noting with unintended irony, "we must be careful not to define the public's interest in such a manner as to 'effectively swallow the rule of laches, and render it a meaningless defense.'" *Id.* at Petn. App. 56a (*citing Danjaq*, 263 F.3d at 953). Instead, the new muscularity of laches in the Ninth Circuit has effectively swallowed the public interest in truthfulness in product labeling.

B. Congress Has Recognized a Public Interest in Preventing the Special Harm to the Public Caused by Product Mislabeling

The rule adopted by the Ninth Circuit, which removes discretion from the district courts to reject laches on the grounds that the public interest outweighs the defendant's interest unless the mislabeled product poses a direct threat to public health, is directly contrary to important findings of Congress that support the notion that the public has an interest in accurate product labeling. When Congress enacted the Dietary Supplement Health and Education Act of 1994 ("DSHEA"), it made several explicit Findings, the first five of which are as follows:

> (1) improving the health status of United States citizens ranks at the top of the national priorities of the Federal Government.
>
> (2) the importance of nutrition and the benefits of dietary supplements to health promotion and disease prevention have been documented increasingly in scientific studies;

(3) (A) there is a link between the ingestion of certain nutrients or dietary supplements and the prevention of chronic diseases such as cancer, heart disease, and osteoporosis; and

(B) clinical research has shown that several chronic diseases can be prevented simply with a healthful diet, such as a diet that is low in fat, saturated fat, cholesterol, and sodium, with a high proportion of plant-based foods;

(4) healthful diets may mitigate the need for expensive medical procedures, such as coronary by-pass surgery or angioplasty;

(5) preventative measures, including education, good nutrition, and appropriate use of safe nutritional supplements will limit the incidence of chronic diseases, and reduce long-term health care expenditures.

Pub L. No. 103-417, 108 Stat 4325 (1994).

The Ninth Circuit's conclusion that the public interest could trump a defendant's investment only when the mislabeled product poses a direct health risk to the public is plainly at odds with these findings, which underscore the importance of nutritional supplements as benefiting public health (and not simply the importance of making sure that any nutritional supplement sold is itself not harmful when consumed).

C. If Allowed to Stand, the Ninth Circuit Ruling Will Seriously Impede the Ability of Industries to Police Themselves and Will Result in Serious Harm to Consumers.

Self-policing of an industry, *i.e.* relying on the market incentives provided to competing distributors to investigate

the veracity of one another's claims, is an important part of protecting consumers from the excesses of any given industry. The consumer virtually always lacks the resources, such as a laboratory, to test product claims, and would rarely bring a court case over a $10 product in any event. In the realm of nutrition supplements, the need for self-policing is perhaps greater than anywhere else.

The veracity of advertising claims made about dietary supplements is not evaluated by the FDA—a glaring regulatory vacuum. Nutritional supplements are regulated only as "foods," and not as "drugs" under the Federal Food, Drug, and Cosmetic Act (FDCA), 21 U.S.C. § 321 *et seq.* (1998), and under the standards of the DSHEA, claims made on their labels are not subject to review by the FDA. *See* 21 U.S.C. § 342 (1998). Under the looser regulatory standards since the passage of DSHEA, "deregulation of supplements has also replaced the system of prior approval of the safety of food additives found in supplements with a system that places the burden on the agency to prove the supplement poses a significant safety risk." Gilhooley, 62 **Mont. L. Rev.** at 86

Markets are flooded with supplements purporting to increase the sex drive, provide better sexual endowments, attract the opposite gender, assist in weight loss without any changes to diet or exercise, and the like. Many of these claims are false, yet the marketers make thousands of dollars off of the gullible. Furthermore, it is often difficult for consumers to tell whether these claims are accurate—who can verify whether a particular product actually "enhances the immune system"? "Allowing false or unproven claims to be made routinely on commercial products, as a matter of policy, breeds distrust and cynicism about the commercial market." *Id.* at 110.

Not only are consumers harmed. Honest distributors of genuine dietary supplements face threats to their survival

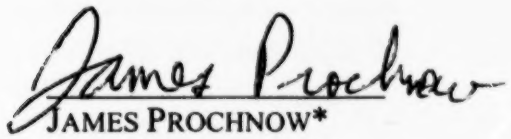
in an environment glutted with charlatans. Even if many honest distributors avoid becoming cynical, consumers themselves will abandon an industry that discourages self-regulation.

Good corporate citizens should not be punished because they are unskilled in legal nuances (especially counterintuitive ones). At the time he was negotiating with Nutrition Now in 1993, Jarrow Rogovin (Petitioner's owner) could never have possibly imagined that his threats of litigation, made in a futile attempt to force Nutrition Now to cease making false claims about PB8 voluntarily, would later effectively insulate Nutrition Now against all claims that PB8 was mislabeled. It has often been said that "[l]aches is founded on the notion that equity aids the vigilant and not those who slumber on their rights." *NAACP* v. *NAACP Legal Defense & Educational Fund, Inc.*, 753 F.2d 131, 137 (D.C.Cir.), *cert. denied*, 472 U.S. 1021 (1985). Here, Jarrow never slumbered on its rights, and certainly never abandoned its claims. Indeed, Jarrow's sin was excessive care in presuming to take a case to a court of law. Honest corporate citizens deserve doctrines of equity that fairly account for the equities. *See Gardner* v. *Panama R. Co.*, 342 U.S. 29 (1951) (rejecting mechanical approach to laches in favor of considering "[t]he equities of the parties").

CONCLUSION

For the foregoing reasons, a writ of certiorari should issue to review the judgment of the United States Court of Appeals for the Ninth Circuit.

Respectfully submitted,



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September 23, 2002

APPENDICES

APPENDIX A

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

JARROW FORMULAS, INC., Plaintiff, v. NUTRITION NOW, INC., Defendant.	CV 00-08839 ABC (MANX) ORDER GRANTING DEFENDANT'S MOTION PURSUANT TO FED. R. CIV. P 56.

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Defendant's motion for dismissal or summary judgment came on regularly for hearing before this Court on November 13, 2000. After considering the materials submitted by the parties, argument of counsel, and the case file, the Court GRANTS Defendant's motion for summary judgment.

I. PROCEDURAL BACKGROUND

On August 18, 2000, Plaintiff Jarrow Formulas, Inc. ("Plaintiff" or "Jarrow") filed a complaint consisting of four claims for relief against Defendant Nutrition Now, Inc. (N/Now or "Defendant"}. Plaintiff alleged the following claims: common law unfair competition, unfair trade practices (Cal. Bus. &: Prof. Code §§ 17200, et seq.}, false advertising (Cal. Bus. & Prof. Code §§ 17500 et seq.), and false advertising/false labeling (15 U.S.C. § 1152(a». On August, 23, 2000, plaintiff filed a First Amended Complaint alleging the same four claims. [1] On September 12, 2000, Defendant filed a Motion to Dismiss and in the alternative, for. Summary Judgment on Plaintiff's claims. Defendant asserts that Plaintiff's claims are barred by statute of limitations or by the doctrine of laches. The Court has read and considered Plaintiff's Opposition and Defendant's Reply. The Court DENIES Plaintiff's request to file a Sur-Reply. The Court will address Defendant's motion as a Motion for Summary Judgment.

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[1] This case was transferred to this court as a related case on August 26, 2000.

II. SUMMARY JUDGMENT STANDARD OF REVIEW

It is the burden of the party who moves for summary judgment to establish that there is "no genuine issue of material fact, and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56 (c); British Airways Bd. v. Boeing Co., 585 F.2d 946, 951 (9th Cir. 1978). If the moving party has the burden of proof at trial I (the plaintiff on a claim for relief, or the defendant on an affirmative defense), the moving party must make a showing sufficient. for the court to hold that no reasonable trier of fact could find other than for the moving party. See Calderone v. United States, 799 F.2d 254, 259 (6th Cir. 1986) (quoting W. Schwarzer, Summary Judgment Under the Federal Riles: Defining Genuine Issues of Material Fact 99 F.R.D. 465, 4B7-88 (1984)). This means that, if the moving party has the burden of proof at trial, that party must establish beyond peradventure all of the essential elements of the claim or defense to warrant judgment in [that party's] favor. " Fontenot v. Upjohn Co., 780 F.2d 1190, 1194 (5th Cir. 1986).

If the opponent has the burden of proof at trial, then the moving party has no burden to negate the opponent's claim. see Celotex Corp. v Catrett, 477 U.S. 317, 323, 106 S.

Ct. 2548 (1986). In other words, the moving party does not have the burden to produce any evidence showing the absence of a genuine issue of material fact. Id. at 325. "Instead, ...the burden on the moving party may be discharged by 'showing' - - that is, pointing out to the district court - - that there is an absence of evidence to support the nonmoving party's case." Id.

Once the moving party satisfies this initial burden, "an adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings. ..[T]he adverse party's response ...must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56 (e) (emphasis added). A "genuine issue" of material fact exists only when the nonmoving party makes a sufficient showing, to establish the essential elements to that party's case, and on which that party would bear the burden of proof at trial. Celotex, 477 U. S. at 322-23. "The mere existence of a scintilla of evidence in support of the plaintiff's position will be insufficient; there must be evidence on which a reasonable jury could reasonably find for plaintiff." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 252, 106 S. Ct. 2505 (1986). The evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in favor of the nonmovant at 248. However, the court must view the

evidence presented to establish these elements through the prism of the substantive evidentiary burden." Id. at 252.

III. FACTUAL BACKGROUND[2]

Jarrow and N/Now are both manufacturers of pro biotic supplements. Since 1985, N/Now has engaged in distributing nutritional supplements, including the digestive-aid product at issue in this case. Beginning in 1985, N/NOW began distributing probiotic acidophilus under the name "PB8. " N/Now's market for this product has steadily increased since the product was introduced. Beginning at least as early as 1992 or 1993, Defendant has represented that PB8 is a high potency supplement comprised of eight types of beneficial bacteria in a protein matrix coating.[3] Defendant also represented that each capsule contained fourteen billion good bacteria at the time of manufacture and required no refrigeration. Plaintiff claims that these representations are false.

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[2] As required for purposes of a summary judgment motion, this section views the evidence in the light most favorable to Jarrow, the non-movant.

[3] Before April 2000, Defendants claimed PB8 was the "highest potency available," and that *it* had a "special protein matrix coating" to protect the organisms from destructive stomach acids. In or about April 2000, Defendants claimed only that the supplement was "high potency" and did not mention a protein matrix coating.

In or about mid-1993, Jarrow Rogovin ("Rogovin"), president of Jarrow, had a conversation with Martin Rifkin ("Rifkin"), president of N/Now, regarding the N/Now's marketing claims about PS8. In September 1993, Rogovin filed a complaint, on behalf of Jarrow, with the National Nutritional Foods Association ("NNFA") to assert that N/Now was making "false, unfair, misleading and illegal" representations on the labels of PB8. (Exh. 4 to Rifkin Decl.) In a letter dated September 23, 1993 to Jarrow's customers, and on Jarrow's behalf, Rogovin referred to N/Now's PB8 product as "worthless" and "sold under false circumstances." (Exh. 5 to Rifkin Decl.)

On September 23, 1993, Rifkin, on N/Now's behalf, wrote a letter to Rogovin acknowledging receipt of Rogovin's September 22, 1993 letter to NNFA. (Exh. 6 to Rifkin Decl.) Rifkin wrote that the label claims for PB8 are truthful, and that Rogovin should consider himself on notice to "cease and desist from making any further claims or disparaging statements about Nutrition Now, Inc. and its products."

In a letter dated September 24, 1993, to *N/Now,* Rogovin, on Jarrow's behalf, accused Rifkin and N/Now of making false and unsubstantiated statements about PBB. (Exh. 7 to Rifkin Decl.) Rogovin stated, "To quote Jimmy

Durante, 'You ain't seen nuthin' yet.' I have every intention of putting an absolute and total end to the false claims of your company regarding PB8." Rogovin promised to send a bottle of PD8 for his own independent analysis, but the results are a fargone [sic] conclusion. ...[PB8] is dead. . . . All the better to bury the 'product.'"

In a letter dated September 25, 1993, to N/Now, Rogovin, on Jarrow's behalf, characterized his and Jarrow's actions as a "counterassault against fraudulent marketing of PB8 II and noted that he could have sued N/Now "for unfair competition already" or turned N/Now "in to the Federal Trade Commission (FTC) for consumer fraud." (Exh. 8 to Rifkin Decl.) Rogovin wrote that Rifkin's failure to respond substantively to Rogovin's complaints about N/Now's marketing meant that Rifkin had "been a cropper and [had] welched out on any' opportunity to be forthcoming. So the bluff and bluster are uncalled for bull." Rogovin also wrote that Rifkin would do well to accept the fact that [Rogovin is} at least worthy of certain respect, and if necessary before [Rifkin] further contemplate(d) litigation, a healthy modicum of fear." Rogovin ended this letter with a post-script stating, "I think it's PBS that's gonna 'go.'" Rogovin attached a personal note to the September 25, 1993 letter. In it, he told Rifkin, "I have given you, sir, a lot of time to clean up your

act. Time's up." Rogovin also referenced a previous lawsuit Jarrow filed against Nature's Way for violations of the Lanham Act. Rogovin remarked, "Sir, you're a morsel in comparison."

No action before this one was filed against N/Now even though N/Now has marketed PB8 with the same representations since 1993. N/Now has expended considerable resources in reliance on its marketing strategy, which includes its marketing representations about PB8. N/Now's marketing strategy has enabled it to grow steadily and become an industry leader in the probiotics field.

IV. ANALYSIS

Jarrow claims that the following six ,marketing statements by N/Now about PB8 are false: (l) fourteen billion good bacteria per capsule at the time *of* manufacture, (2) eight types of beneficial bacteria, (3) no refrigeration needed, (4) special protein matrix coating to protect the bacteria from destructive stomach acids, (5) highest potency available, and the later claim of (6) high potency. (Complaint at ¶¶ 7, 8, 9.) These allegedly-false marketing statements are the basis for Jarrow's state and federal claims against N/Now for unfair competition, unfair trade practices, false advertising, and false labeling.

The issue is whether these claims are time-barred. N/Now asserts that the claims are barred under the statute of limitations, or in the alternative, under the laches doctrine. Jarrow argues that circumstances exist such that neither the statute of limitations nor laches bar its claims against N/Now.

A. Statute of Limitations

1. Applicable Law

The parties agree that Plaintiff's state law claims of unfair trade practices and false advertising are governed by a four year statute of limitations. See Cal. Bus & Prof. Code §§ 1700 et seq., 17500 et seq., & 17208. The statute of limitations begins to run when the cause of action accrues, regardless of whether plaintiff knew of its accrual, unless Plaintiff can successfully invoke the doctrine of equitable tolling. See Stutz Mctor Car of' America, Inc. - v-Reebok Int'l Ltd., 909 F. Supp. 1353, 1363 (C.D. Cal. 1995) (citations omitted). "The doctrine of equitable tolling suspends the running of the statute of limitations if the plaintiff proves that defendant fraudulently concealed existence of cause of action so that the plaintiff acting as a reasonable person, did not know of its existence.'. Sub v. Yang, 987 F. Supp. 783, 795 & n.8.

The parties also agree that Plaintiff's common law unfair competition and federal Lanham Act claims are governed by a three year statute of limitations. See Cal. Code. civ. P. § 338(d); Plampf, Pleya, Lipkind, Prupis, & Petigrow v. Gilbertson, 501 U.S. 350 (1991); General Bedding Corp. v. Echevarria, 947 F.2d 1395, 1397 (9th Cir. 1991). This statute of limitations begins to run when a plaintiff, exercising reasonable diligence discovers, or could have discovered, the action in question. see See Cal., Civ. P. § 388(d); General Bedding, 947 F.2d at 1397.

2. The Statute of Limitations Has Run on All Claims

Plaintiff concedes actual knowledge of N/Now's six representations regarding PB8 at least as early as 1993. Rogovin's statement, "I was aware of what :r believed were false, misleading and unfair claims of N/Now for its product PB8 since 1993" is one statement showing actual knowledge. (Rogovin Decl. at ¶ 4.) Rogovin's letters on Jarrow's behalf dated September 1993 also show actual knowledge of the six marketing statements Jarrow finds objectionable. !n the September 22, 1993 letter, Rogovin objects to all six of the PB8 marketing statements at issue in this case. He objects to the claims that: (1) there are fourteen billion good bacteria per capsule, (2) each capsule contains eight strains of viable

bacteria, (3) no refrigeration is needed, (4) the protein matrix process protects the bacteria, and (5) the product has high potency or is (6) the highest potency available.[4] (Exh. 4 to Rifkin Decl.) Rogovin repeats these objections on Jarrow's behalf in other letters dated in 1993. (Exhs. 5, 7, 8 to Rifkin Decl.) As Rogovin's statements make clear, Plaintiff had actual knowledge of the facts underlying its claims at least seven years ago. The three and four year statutes of limitations, therefore, have run on all of Plaintiff's claims unless the doctrine of equitable tolling applies.

To invoke equitable tolling, Plaintiff must "demonstrate that it had neither actual nor constructive notice of the facts constituting its claims for relief." Stutz Motor Car, 909 F. Supp. at 1363 (citations omitted). Plaintiff must also establish affirmative conduct on Defendant's part "which would, under the circumstances of the case, lead a reasonable person to believe that he did not have a claim for relief." Id. (citations omitted).

To invoke equitable tolling, Jarrow presents evidence that this year, Defendant ceased representing use of the special protein matrix coating on PE8. (Complaint at ¶9(a).)

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[4] With respect to the fifth and sixth marketing statements, Rogovin questions the "potency count" and questions whether the "order of organisms listed is in the order of preponderance.' These statements necessarily raise the issue of whether the supplement is high potency of the highest potency available.

Jarrow argues that when N/Now used the protein matrix coating, Jarrow was unable to analyze PB8 to prove the falsity of N/Now's product claims. (Pl. Opp'n at 5.; Rogovin Decl. at ¶4). Jarrow also argues that because it was unable to conduct this analysis, it was deterred from filing this action. (Id.)

Jarrow, however, cannot invoke the doctrine of equitable tolling. Rogovin has stated that he was aware of the "false, misleading and unfair claims of N/Now for its product PBS since 1993." (Rogovin Decl. at '4.) See Stutz Motor Car, 909 F. Supp. at 1363. Jarrow had actual knowledge of the facts underlying its claims for relief; therefore, there is no equitable tolling of the statute of limitations. Even beyond that, however, Rogovin's September 22, 1993, letter to NNFA states, "Institut Rosell, my manufacturer, has a competent lab staffed by competent microbiologists including Ph.D.'s. Institut Rosell has found virtually no live bacteria in [PB8]. (Exh. 4 to Rifkin Decl.) This statement shows that the protein matrix coating was not a barrier to determining whether there were live bacteria in PB8. Jarrow could not have reasonably believed, after finding no live bacteria, that it did not have a claim for relief.[5]

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[5] Additionally, as Defendant states, Plaintiff presents no evidence of the type of duress that would justify estopping Defendant

Therefore, the Court finds that the statute of limitations has run as to all of Plaintiff's claims in this action.

B. Doctrine of Laches

Plaintiff also argues that its claims for relief are not barred by the applicable statutes of limitations because the claims arise out of "continuing wrongs." Plaintiff presents evidence that defendant has been continuously using the six marketing claims for PB8 since 1993; therefore, Plaintiff's claims survive. Defendant argues that even if Plaintiff's reliance on "continuing wrongs" is proper, the doctrine of laches applies to bar Plaintiff's claims.

The Court does not decide whether Plaintiff claims arise out of multiple, continuous acts, constituting a "continuing wrong." See, eg., Grupo Gigante S.A. de C.V. v. Dallo & Co., Inc., 2000 WL 1637784, *23 n.15 (C.D. Cal. 2000) (noting that in trademark infringement suits, because infringement is a continuing wrong, statue of limitations is usually no bar to suit for injunctive relief). The Court will, however, address whether the doctrine of laches applies in this case to bar Plaintiff's claims, assuming they do constitute a continuing wrong. See Conopco Inc. v. Campbell Soup Co., 95 F.3d 187, 191 (2d Cir. 1996) (stating that it is

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from asserting a statute of limitations defense. Ateeq v. Najor, 15 Cal. App. 4th 1351, 1357 (1993). Defendant, therefore, is not estopped from

necessary under the Lanham Act to find the most analogous state statute of limitations, and that the statute of limitations determines which party has the burden of proving or rebutting the defense of laches); Sub v- Vang, 987 F. Supp. 783, 795 (N.D. Cal. 1997) (acknowledging the possibility that a continuing wrong exists under Cal. Bus. & Prof. Code §§ 17200 et seq. such that the Plaintiff's claim for unfair competition would not be barred by the four year statute of limitations); Newman v. Checkrite Cal. Inc., 912 F. Supp. 1354, 1375 (E.D. Cal. 1995) (stating that "[e]quitable defenses are ordinarily appropriately raised against claims under the [California] Business & Professions Code.")

"The equitable doctrine of laches is derived from the maxim that those who sleep on their rights lose them." Hot Wax Inc. v. Turtle Wax Inc., 191 F. 3d 813, 820 (7th Cir. 1999). "Laches addresses delay in the pursuit of a right when a party must assert that right in order to benefit from it." Id. Therefore, where a claim arises out of a "continuing wrong," the availability of laches is important because without it, a party could delay filing suit indefinitely. Id.

"For laches to apply in a particular case, the party asserting the defense must demonstrate: (1) an unreasonable lack of diligence by the party against whom the defense is

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asserting the defense of statue of limitations in this case.

asserted and (2) prejudice arising therefrom." Id.[6] Additionally, where "the suit is brought after the statutory time has elapsed, the burden is on the complainant to aver and prove the circumstances making it inequitable to apply laches to his case." Conopco, 95 F. 3d at 191. The Court has found that the statute of limitations has already run as to Plaintiff's, claims; therefore, it is Plaintiff's burden to show that laches should not be applied.

1. Plaintiff's Delay in Filing this Action Is Unreasonable

Jarrow asserts that it was reasonable to delay filing this action against N/Now because until 2000, the protein matrix coating prevented Plaintiff from establishing a claim. (Pl. Opp'n at 14; Rogovin Decl. at ¶¶ 4, 6.) As discussed earlier, Plaintiff stated that a lab tested Defendant's product in 1993, and found that the organisms were dead.[7] (Exh. 4 to Rifkin Decl.)

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[6] The Court in Hot Wax Inc. noted that the "notion of a 'contnuing wrong,' which is so prevalent in Lanham Act cases provides a strong justification for the application of the doctrine of laches in appropriate circumstances." Id.

[7] Plaintiff makes much of Institut Rosell's refusal to test products in connection with an action Plaintiff would initiate and of the difficulty of finding another lab. (Rogovin Decl. At ¶ 4.) These difficulties, however, do not excuss Plaintiff's failure to file sooner, especially considering that Plaintiff tested Defendant's product in 1993.

Additionally, Plaintiff objected in its September 22, 1993, letter to the six marketing statements at issue in this case. (Id.) Therefore, Plaintiff tested Defendant's product, concluded there was a problem with the product, and objected to Defendant's six marketing claims, all in 1993. Plaintiff then waited to file this action until 2000. The Court finds that Plaintiff's delay in filing this action was unreasonable. See Hot Wax Inc., 191 F.3d at 824 (stating that "laches is a question of degree," and a ten to twenty year delay is clearly unreasonable).[8]

2. Defendant Suffered Prejudice

Jarrow also asserts that Defendant suffered no prejudice as a result of its delay in filing this action. Jarrow states that the declaration of N/Now's president, Rifkin, does not set forth specific facts showing prejudice.

Contrary to Plaintiff's assertion, Rifkin sets forth N/Now's prejudice as a result of Plaintiff's delay. He states:

> Nutrition Now has worked very hard over the last 15 years to build a strong, solid and satisfied customer base by promoting PB8 with free samples, free literature, advertising, and a 100% money back

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[8] The Court notes that because delay was considered unreasonable in Hot Wax, where the statute of limitations had not yet run, delay is certainly unreasonable in this case, in which the statutes of limitation have long since run. Id. at 821.

> guarantee. . . Annually, Nutrition Now spends hundreds of thousands of dollars on advertising and promoting PS8. This year alone Nutrition Now sent out over 200,000 free sample packs to health food stores for consumer use. . . Our efforts have been rewarded by the market and Nutrition Now can boast many satisfied customers. Clearly Nutrition Now would be harmed severely if this litigation is allowed to proceed.

(Rifkin Supplemental Decl. at ¶11). N/Now, therefore has invested significant amounts of time and money in product development and advertising while Jarrow has "sat idly by and chose not to challenge" their marketing strategies. Hot Wax Inc., 191 P.3d at 824. Furthermore, N/Now's market position was uncontested by Jarrow "for years, and courts have held that investments to exploit such a position are sufficient prejudice to warrant the application of the doctrine of laches." Id.[9] Finally, had Jarrow pursued its claims in a timely manner, N/Now "certainly could have invested its time and money in other areas." The Court finds, therefore,

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[9] Notably "[i] f only a short period of time has elapsed since the accrual of the claim, the magnitude of prejudice require[d] before the suit should be barred is great, whereas if the delay is lengthy, prejudice is more likely to have occurred and less proof of prejudice will be required." Id. (citation omitted).

that N/Now was prejudiced by Jarrow's delay in filing this action.

3. Unclean Hands and Fraud Do Not Bar Application of Laches

"A party's unclean hands may stand as an obstacle to the application of the doctrine of laches in certain circumstances." Id. at 825. Unclean hands bars the application of laches because an equitable defense "cannot be used to reward a party's inequities or to defeat justice." Id. (citations omitted). As explained in Hot Wax, "[a] broad chasm separates the concept of actual fraud. . . from the facts of the present case" Id. at 826. In Hot Wax, Hot Wax sued Turtle Wax for false advertising and false promotion, alleging that Turtle Wax did not actually contain wax. The Court found that Turtle Wax's marketing of the products as waxes could hardly be considered willful fraud. Id. Similarly, N/Now's six representations can hardly be considered "actual fraud." The parties agree that N/Now is marketing PB8, which is a probiotic nutritional supplement comprised of certain bacteria. The Court wakes no finding that N/Now would prevail on the merits with respect to Jarrow's claims about these six representations; however, that "hardly translates into proof of unclean hands sufficient

to preclude an application of laches." Id. "To conclude otherwise would be effectively to preclude the application of laches whenever a dispute of fact regarding the merits of a Lanham Act claim existed." Id.

4. Public Interest

Finally, "Laches may be properly applied so long as its application is equitable in light of the public's interest in being free from confusion and deception." Id. " [T]here is a strong public interest in the prevention of misleading advertisements." Plaintiff argues that application of laches is inequitable, given the public's interest in being free from Defendant's allegedly false claims about PB8. Plaintiff has submitted evidence that the allegedly prominent bacteria strain in PB8, S. faecium or E. faecium, is controversial, associated with serious infections in hospital settings, and is no longer allowed in probiotics in France or Germany.[10] (Decl. of Jacques Goulet at ¶9.) This argument, however, ignores Defendant's evidence demonstrating customer satisfaction with PB8. Defendant has submitted three letters from satisfied customers who used PB8 (Exhs. 9, 10, 11 to

[10] The Court notes that whether this bacteria can cause infections in hospital settings is not necessarily relevant to its effects if ingested in supplement form. Additionally, the bacteria's status in France and Germany is only relevant to the extent that the United States has relegated it to the same status. Plaintiff has not submitted evidence of similar limited use in the United States.

Rifkin Decl.) Defendant has also pointed out that it has never been cited for any regulatory violation concerning probiotic products.[11] Because there is no evidence that N/Now's PB8 has had or is having a negative impact on the public interest, this Court finds that the public interest does not preclude the application of laches to this case. Id. at 827.

The Court therefore finds that laches applies to bar Plaintiff's claims.

V. CONCLUSION

Based on the foregoing, the Court GRANTS Defendant Nutrition Now, Inc.'s motion for summary judgment.

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The Court hereby ORDERS and ADJUDGES that Plaintiff Jarrow Formulas. Inc. take nothing by its action, that the action he dismissed with prejudice on the merits, and that Defendant Nutrition Now. Inc. recover its costs of suit incurred.

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[11] Plaintiff agrees there has been no such citation, but states that the FDA does not regulate probiotic products as such.

SO ORDERED.

DATED: _____

_____

AUDREY B. COLLINS

UNITED STATES DISTRICT JUDGE

APPENDIX B

Court of Appeal No. 01-55154

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

Jarrow Formulas, Inc.,

Plaintiff and Appellant..

vs.

Nutrition Now, Inc..

Defendant and Appellee.

District Court No. CV-00-O8839 {ABC}

APPEAL FROM UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

HONORABLE AUDREY B. COLLINS, PRESIDING

APPELLANT'S PETITION FOR REHEARING

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ISSUES

Plaintiff-Appellant Jarrow Formulas, Inc. ("JFI"), through undersigned counsel, submits this Petition for Rehearing ("Petition"), and asserts that for the reasons set forth below, this Court should rehear the arguments of counsel or reconsider the following issues."

(A) Whether this Court did not give adequate weight to the Dietary Supplement Health and Education Act of 1994 ("DSHEA") and other related provisions of the Federal Food, Drug and Cosmetic Act ("FFDCA") when reaching its decision that "in order to ensure that laches remains a viable defense to Lanham Act claims, the public's interest will trump laches only when the suit concerns allegations that the product is harmful or otherwise a threat to public safety and well being."

(B) Whether this Court misapprehended the relevant law by creating a standard which is not supported by case law, statute or sound public policy when it held that application of the laches doctrine outweighs the public unless the wrongful conduct of a defendant poses a threat to public safety;

(C) Whether this Court misapprehended the law and facts by failing to distinguish between labeling claims and advertising claims; and

(D) Whether this Court overlooked and misapprehended the relevant law and facts, and its self-imposed mandate, when it apparently failed to review the District Court's "Order Granting Defendant's Motion Pursuant to Fed. R. Civ. P. 56" ("District Court Order") for both abuse of discretion and clear error.

I. FACTUAL AND PROCEDURAL BACKGROUND

JFI and Nutrition Now ("N/Now") are both manufacturers of a category of dietary supplements known as probiotics. A N/Now probiotic called PB8 is the product which was the focus of JFI's claims. N/Now began making several claims concerning the quality of PB8 (the "PB8 claims") on its product labels and in non-labeling marketing and advertising for the product in approximately 1992 or 1993; N/Now ceased making some of the those claims in April of 2000. JFI asserts that the PB8 claims are false and misleading.

In 1993, Jarrow L. Rogovin, President of JFI, informed Martin Rifkin, President of N/Now, orally and in writing. that JFI was in possession of test results which provided that the PB8 claims were false and misleading. Rogovin and Rifkin exchanged written correspondence on several subsequent occasions which expressed their

disagreement and anger with each other over this issue. Rogovin expressed to Rifkin that JFI would file a lawsuit against N/Now or a complaint with the FTC unless N/Now immediately ceased making the PB8 claims.

In 1993, Rogovin filed a complaint with the National Nutritional Foods Association ("NNFA"), the largest trade association in the dietary supplement industry, of which both JFI and N/Now are members. JFI did not file a Complaint against N/Now until August 18, 2000, and amended that Complaint on August 23, 2000.

N/Now filed a Motion to Dismiss and in the alternative for Summary Judgment on September 12, 2000. N/Now asserted that the statute of limitations and the doctrine of laches barred JFI's claims. The District Court granted Summary Judgment and held, *inter alia*, that application of the laches doctrine outweighs the public interest in accurate advertising claims for dietary supplements unless a threat to public health or safety exists.

JFI filed a timely appeal with this Court seeking a reversal of the District Court Order. This Court in an opinion dated June 4, 2002 (the "June 4 Opinion"), also held that application of the laches doctrine in this case outweighs the public interest in accurate advertising claims for dietary supplements.

II. ARGUMENT

(A) This Court did not give adequate weight to the Dietary Supplement Health and Education Act of 1994 ("DSHEA") and other related provisions of the Federal Food, Drug and Cosmetic Act ("FFDCA") when recalling its decision that "in order to ensure that laches remains a viable defense to Lanham Act claims, the public's interest will trump laches only when the suit concerns allegations that the product is harmful or otherwise a threat to public safety and well being."

The public policy which gave rise to the enactment of and which is reflected in the provisions of DSHEA constitute a matter of significant public interest, enough to "trump laches".

DSHEA became effective on October 25, 1994; it was the result of bitter feuding between the FDA, on the one had, and, on the other hand, consumers and the dietary supplement industry. Senator Hatch and others were determined not to have dietary supplements regarded as "second class citizens" as contrasted with conventional foods or drugs. In Sec. 2 of DSHEA, Congress set out 15 "Findings" which clearly and forcefully express the reasons for this revolutionary legislation in the consumer health industry. The first five Findings are these:

Congress finds that:

(1) improving the health status of United States citizens ranks at the top of the national priorities of the Federal Government.

(2) the importance of nutrition and the benefits of dietary supplements to health promotion and disease prevention have been documented increasingly in scientific studies;

(3)(A) there is a link between the ingestion of certain nutrients or dietary supplements ,and the prevention of chronic, diseases such as cancer, heart disease, and osteoporosis; and

(B) clinical research has shown that several chronic diseases can be prevented simply with a healthful diet, such as a diet that is low in fat, saturated fat, cholesterol, and sodium, with a high proportion of plant-based foods;

(4) healthful diets may mitigate the need for expensive medical procedures, such as coronary by-pass surgery or angioplasty;

(5) preventive health measures, including education, good nutrition, and appropriate use of safe nutritional supplements will limit the incidence of chronic diseases, and reduce long-term health care expenditures.

DSHEA established a new category of food and gave manufacturers and distributors of dietary supplements a new

significant regulatory power; namely, the explicit ability to make statements on product labels and product advertising about how a particular dietary supplement affects the function and structure of the human body. The quid pro quo for this unique right is the need for the labels of such products to comply with detailed informational requirements. (Secs. 6 and 7 of DSHEA which are Secs. 403(e), 403(q), 403(s) of the FFDCA, codified at 21 U.S.C. §§ 343 (e), 343(q), 343(s). Some of those labeling requirements are technical in nature and others go to those matters which materially affect consumers' purchasing decisions. The Congress emphasized its interest in the safety of such products by its enactment of Sec. 4 of DSHEA, codified as Sec. 402(f)(1) of the FFDCA and 21 U.S.C. § 342(f)(1). The FDA subsequently, issued two sets of detailed regulations to implement that statute; 21 C.F.R. § 101.36 governs the technical aspects of labels, such as type size, and 21 C.F.R. § 101.93, published on January 6, 2000, which addresses claims aimed at consumers and their health. The FDA was sufficiently concerned about those labeling claims that it issued approximately 50 pages of Comments about this regulation. The six claims complained of by JFI are subject to this regulation. The failure of the trial court to equate this

body of law with a "significant public interest" is an abuse of discretion.

The Court's conclusion that the public interest needed to "trump laches" must include "allegations that the product is harmful or otherwise a threat to public safety and well being" should also be revisited and expanded due to those provisions of FFDCA which govern dietary supplements and which provide that each violation of the FFDCA is a crime as well as a civil wrong. Sec. 301(a) and (b) of the FFDCA (21 U.S.C. § 331(a)-(b)) classify misbranding (i.e. false or misleading, Sec. 403(a) of the FFDCA) as a prohibited act. The FDA may charge each misbranding violator with a misdemeanor or, if there is an intent to defraud or mislead, with a felony. Sec. 303(a)(1) and (2) of the FFDCA (21 U.S.C. § 333(a)(1)). The seriousness of false labeling claims on supplement products and the seriousness of the Congress' intention to make DSHEA and dietary supplements significant health matters of public concern is beyond doubt. Therefore, we urge the Court to expand the necessary level of "public interest" to include "allegations of false claims with respect to the labeling of dietary supplements, including, but not limited to, the effectiveness of such products."

It should be noted that DSHEA was passed in 1994, but the regulations passed pursuant to said Act did not

become final regulations and did not go into .effect until March 23, 1999, and so were not subject to violation until just 18 months before JFI filed this suit against N/Now. (*See* Appellant's Opening Brief, p. 32)

(B) This Court misapprehended the relevant law by creating a standard which is not supported by case law or statute when it held that application of the laches doctrine outweighs the public interest because the wrongful conduct of N/Now did not pose a threat to public safety.

This Court held that, "the public's interest will trump laches only when the suit concerns allegations that the product is harmful or otherwise a threat to public safety and well being." *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, No. 01-55154 at 8015. That standard is not supported by *Conopco, Inc.* v. *Campbell Soup Co.*, 95 F.3d 187 (2nd Cir. 1996) *('Conopco"),* to which the Court cites, or by any other case or statute. *Conopco* holds that in the context of advertising claims which compare the thickness of two different types of pasta sauces the public's interest is not significant enough to preclude application of the laches doctrine *Id.* at 194. It does not hold that a threat to public safety must exist in order for the public interest to trump application of the laches doctrine.

Furthermore, the false and misleading advertising claims which were at issue in *Conopco* did not subject the Defendant-Appellee Campbell Soup to the criminal penalties to which N/Now is subject if the FDA was to determine that N/Now misbranded PB8. The public interest in this case is greater than it was in *Conopco* because of the greater interest that the public has in accurate ***labeling*** claims as opposed to advertising claims. That greater public interest is reflected in the criminal penalties provided in the FFDCA. Having misapprehended the law in this regard, this Court failed to recognize that the public's interest in this case outweighs application of the laches doctrine.

(C) This Court misapprehended the law and facts by failing to distinguish between labeling claims and advertising claims.

This Court, throughout its June 4 Opinion, refers to the PB8 claims as advertising claims. In fact, the PB8 claims were labeling claims. This Court's .failure to recognize the significant legal and factual differences between labeling claims and advertising claims clearly affected the outcome of this case because the public has a greater level of interest in the accuracy of labeling claims versus the accuracy of advertising claims. This Court, however, did not evaluate

this heightened level of public interest in the accuracy of labeling claims; it only evaluated the public's interest in the accuracy of advertising claims, which is a lesser interest than labeling claims.

"Labeling" includes "all labels and other written, printed or graphic matter (1) upon any article of its containers or wrappers, or (2) accompanying such article." 21 U.S.C. § 321 (m). "Advertising" is not defined by any statute administered by the FDA or FTC; however, a generally accepted definition is "printed or broadcast media...to tell or praise about (a product, service, etc.) as through newspapers, handbills, radio, television, etc., so as to make people want to buy it." WEBSTER'S NEW WORLD COLLEGE DICTIONARY, 3d ed. (1996). The claims made by N/Now which JFI asserts are false and misleading appear on PB8 labels. Therefore, the claims at issue in this case constitute labeling claims. Consumers look directly at labeling claims at the moment they make their purchasing decisions.

If this Court had recognized the significant distinctions between labeling claims and .advertising claims, it would have recognized that the public has an especially significant interest in the accuracy of labeling claims. Having misapprehended the law and facts in this regard, this

Court failed to recognize that the public interest in this case outweighs application of the laches doctrine.

(D) This Court overlooked and misapprehended the relevant law and facts, and its self-imposed mandate, when it failed to review the District Court Order for both abuse of .discretion and clear error.

This Court stated in its June 4 Opinion that it would review the District Court Order for both abuse of discretion and for clear error. As illustrated in the chart below, the opinion does not reflect such a dual standard of review.

CHART OF CONCLUSIONS

HN = HEAD NOTE OF THE OPINION

#	Page	Part	Subpart	
1.	8011	III	B-1 HN #11	"The district court did not err in concluding…"
2.	8013	III	B-2 HN #13	"In light of the presumption of prejudice and our deferential standard of review, we must conclude that Nutrition Now would be prejudiced if Jarrow's suit were to proceed."
3.	8015	III	D(5th para.)	"Mindful of our

				deferential standard of review, we cannot conclude that Jarrow has made such a showing. Consumer health may be *benefited* by taking probiotic nutritional supplements. But, we cannot conclude that the failure to take an effective probiotic supplement puts consumer health in jeopardy."
4.	8016	III	D (7th para.)	Jarrow argues that Nutrition Now acted with unclean hands because it made the challenged claims knowing they were false. In a Lanham Act false advertising suit, a plaintiff cannot ordinarily show unclean hands, and thereby defeat laches, simply by alleging that the defendant made claims knowing that they were false.
5.	8017	III		"A plaintiff can escape laches under the unclean hands doctrine only if the court is left with a firm conviction

				that the defendant acted with a fraudulent intent in making the challenged claims. *See id.* Jarrow has not come close to making such a showing in this case."
6.	8018	III	E (last sentence)	Perhaps, Nutrition Now's hands are not as "clean as snow." However, we cannot conclude that its actions rise to the level of unclean hands.
7.	8018	IV		Jarrow also appeals the district court's denial of its Rule 56(f) motion for a continuance of the summary judgment motion pending additional discovery. A Rule 56(f) motion must set forth why additional discovery is warranted and the particular facts expected to be discovered. While Jarrow presented a laundry list of additional information it wished to discover, none of this information was

				necessary to defend against laches. The district court did not abuse its discretion in denying Jarrow's motion.
8.	8019	V		The district court did not err in applying laches to Jarrow's state claims.

It is impossible to determine whether this Court used the standard of review most beneficial to the appellant, "the abuse of discretion" standard. This Court may have used this standard, the "clear error" standard or both when reviewing the decision of the trial court. The standard used by the Court could make a difference as this Court recognized when it committed to using both.

The lower court's November 14,2000 Summary Judgment Order in Part IV: subpart 4 which is entitled "Public Interest", concludes that "Because there is no evidence that N/Now's PB8 has had or is having a negative impact on the public interest this Court finds that the public interest does not preclude the application of latches to this case".

As we have emphasized earlier in this Petition, the public interest is not only engaged by reference to consumers likes or dislikes of a product, but must be measured by

referring to the public policy which gave birth to a relevant statute; in this case, there was an abuse of discretion by the mal court not considering the public interest expressed by DSHEA.

Review under the clearly erroneous standard allows the appellate court to reverse a decision of the district court only in those instances in which the appellate court "is left with the definite and firm conviction that a mistake has been committed." *Clamp Mfg. Co., Inc. v. Enco Mfg. Co. Inc.*, 870 F.2d 512 (9th Cir. 19~9) (citing *United States v. Gypsum Co.*, 333 U.S. 364, 395 (1948)). Review under the abuse of discretion standard allows an appellate court to look at many different aspects of a trial court's decision, including whether the district court misapprehended the underlying substantive law. *Hunt v. National Broadcasting Co., Inc.*, 872 F.2d 289,292 (91h Cir. 1989). Review for clear error is a more deferential standard of review; as this Court has stated, clear error amounts to a "gross abuse of discretion" *See In re Roosevelt,* 87 F.2d 311, 314, n. 2 (9m Cir. 1996).

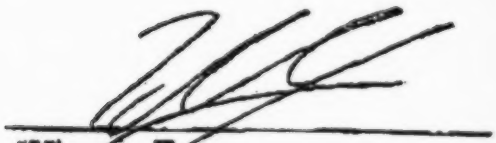
CONCLUSION

WHERFORE, Plaintiff-Appellant Jarrow Formulas, Inc. respectfully requests that for the reasons set forth above, this Court GRANT this Petition for Rehearing and rehear the

arguments of counsel or reconsider the issues presented in this Petition.

Respectfully submitted,

Dated: June 17, 2002



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2002 WL 1163624
--- F.3d ---
(Cite as: 2002 WL 1163624 (9th Cir.(Cal.)))

APPENDIX C

United States Court of Appeals,
Ninth Circuit.

JARROW FORMULAS, INC.,
Plaintiff-Appellant,
v.
NUTRITION NOW, INC.,
Defendant-Appellee.

No. 01-55154.

Argued and Submitted Feb. 7, 2002.
Filed June 4, 2002.

Seller of nutritional supplements sued competitor for false advertising. The United States District Court for the Central District of California, Audrey B. Collins, granted summary judgment for competitor, and appeal was taken. The Court of Appeals, O'Scannlain, Circuit Judge, held that: (1) Lanham Act suit filed after limitations period had expired was presumptively barred by laches; (2) seven year delay in filing suit was both unreasonable and prejudicial; and (3) state law false advertising and unfair competition claims were also barred by laches.

Affirmed.

[1] Federal Courts 776

170Bk776

[1] Federal Courts 813
170Bk813

When district court grants summary judgment on basis of laches, appeals court reviews de novo whether district court inappropriately resolved any disputed material facts in reaching its decision, and reviews de novo whether laches is valid defense to particular cause of action, but district court's application of laches factors is entitled to deference, and is not to be reviewed de novo.

[2] Trade Regulation 870(1)
382k870(1)

Prima facie case of false advertising requires showing that: (1) defendant made false statement either about plaintiff's or its own product; (2) statement was made in commercial advertisement or promotion; (3) statement actually deceived or has tendency to deceive substantial segment of its audience; (4) deception is material, in that it is likely to influence

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purchasing decision; (5) defendant caused its false statement to enter interstate commerce; and (6) plaintiff has been or is likely to be injured as result of false statement, either by direct diversion of sales from itself to defendant, or by lessening of goodwill associated with plaintiff's product. Lanham Trade-Mark Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

[3] **Equity** 67
150k67

"Laches" is equitable time limitation on party's right to bring suit, resting on maxim that one who seeks help of court of equity must not sleep on his rights.

[4] **Trade Regulation** 870(1)
382k870(1)

Laches is valid defense to Lanham Act claims, including those for false advertising. Lanham Trade-Mark Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

[5] **Equity** 72(1)
150k72(1)

Party asserting laches must show that it suffered prejudice as result of plaintiff's unreasonable delay in filing suit.

[6] **Trade Regulation** 540.1
382k540.1

Lanham Act contains no explicit statute of limitations. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

[7] **Federal Courts** 424
170Bk424

When federal statute lacks specific statute of limitations, court generally presumes that Congress intended to borrow limitations period from most closely analogous action under state law; this presumption may be trumped, however, and court will not borrow state limitations period if rule from elsewhere in federal law clearly provides closer analogy than available state law statutes, and when federal policies at stake and practicalities of litigation make that rule significantly more appropriate vehicle for interstitial lawmaking.

[8] **Trade Regulation** 448
382k448

If Lanham Act unfair

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competition claim is filed within analogous state limitations period, strong presumption is that laches is inapplicable; if claim is filed after analogous limitations period has expired, presumption is that laches is bar to suit. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

[9] **Limitation of Actions** 165
241k165

Where alleged Lanham Act violations are ongoing, statute of limitations only bars monetary relief for period outside limitations period; plaintiff is free to pursue monetary and equitable relief for time within limitations period. Lanham Trade-Mark Act, § 1 et seq., 15 U.S.C.A. § 1051 et seq.

[10] **Trade Regulation** 448
382k448

Presumption that Lanham Act unfair competition suit is barred by laches is triggered if any part of claimed wrongful conduct occurred beyond limitations period. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

[11] **Limitation of Actions** 95(3)
241k95(3)

Limitations period on Lanham Act unfair competition claim runs from the time plaintiff knew or should have known about his cause of action. Lanham Trade- Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

[12] **Trade Regulation** 870(1)
382k870(1)

In California, Lanham Act false advertising claim is subject to three year statute of limitations for fraud claims. Lanham Trade-Mark Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B); West's Ann.Cal.C.C.P. § 338(d).

[13] **Trade Regulation** 870(1)
382k870(1)

Nutritional supplement seller's seven-year delay in filing Lanham Act false advertising suit against competitor was unreasonable, for purpose of determining whether suit was barred by laches, where only reason offered was that suit was delayed until seller's supplier changed its policy of not providing laboratory analysis for litigation; seller made no attempt to find alternate tester of competitor's product. Lanham Trade-Mark Act, § 43(a)(1)(B), 15

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U.S.C.A. § 1125(a)(1)(B).

[14] Trade Regulation 870(1)
382k870(1)

Nutritional supplement seller's seven-year delay in filing Lanham Act false advertising suit against competitor was prejudicial, for purpose of determining whether suit was barred by laches; competitor had invested significant resources in tying product's identity to claims being challenged by seller. Lanham Trade-Mark Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

[15] Trade Regulation 870(1)
382k870(1)

Laches, which barred nutritional supplement seller's Lanham Act false advertising suit against competitor, also barred seller's claim for prospective injunctive relief; competitor would be prejudiced if forced to abandon its long-term investment in its presentation of product to public. Lanham Trade- Mark Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

[16] Equity 84
150k84

Laches is equitable remedy, and will not apply if public has strong interest in having suit proceed.

[17] Trade Regulation 870(1)
382k870(1)

Public interest in nutritional supplement seller's Lanham Act false advertising suit against competitor was insufficient to prevent otherwise appropriate application of laches defense, absent showing that product in question was harmful or threat to public safety and well being. Lanham Trade-Mark Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

[18] Equity 65(1)
150k65(1)

Party with unclean hands may not assert laches.

[19] Equity 65(1)
150k65(1)

Unclean hands doctrine did not bar nutritional supplement seller from asserting laches defense in competitor's Lanham Act false advertising suit, absent showing that seller acted with fraudulent intent when making challenged

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product claims, or that seller's misconduct misled competitor as to viability of its accusations.

[20] Federal Civil Procedure 2553
170Ak2553

District court did not abuse its discretion in denying false advertising plaintiff's motion for continuance of defendant's summary judgment motion pending additional discovery; additional information plaintiff wished to discover was not necessary to oppose defendant's laches defense. Fed.Rules Civ.Proc.Rule 56(f), 28 U.S.C.A.

[21] Trade Regulation 448
382k448

[21] Trade Regulation 870(1)
382k870(1)

Under California law, nutritional supplement seller's unfair competition and false advertising claims against competitor were barred by laches; seven-year delay in bring suit was both unreasonable and prejudicial. West's Ann.Cal.Bus. & Prof.Code § § 17200, 17500.

Appeal from the United States District Court for the Central District of California Audrey B. Collins, District Judge, Presiding. D.C. No. CV-00-08839- ABC.

Neal T. Wiener, Beverly Hills, CA, argued the cause for the plaintiff- appellant.

John A. Lawrence, Radcliff Frandsen & Dongell, LLP, Los Angeles, CA, argued the cause for the defendant-appellee. Matthew Clark Bures was on the brief.

Before GLENN L. ARCHER, [FN*] DIARMUID F. O'SCANNLAIN, and BARRY G. SILVERMAN, Circuit Judges.

OPINION

O'SCANNLAIN, Circuit Judge.

***1** We must decide whether laches bars a manufacturer of nutritional supplements from suing its competitor for false advertising under the Lanham Act when the analogous state statute of limitations period has expired.

I

Nutrition Now, Inc. ("Nutrition Now") distributes PB8, a popular probiotic

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nutritional supplement designed to aid digestion. Since initial distribution in 1985, Nutrition Now has made three central claims. First, PB8 contains fourteen billion "good" bacteria per capsule. Second, PB8 contains eight different types of bacteria. Third, PB8 does not require refrigeration. Nutrition Now has always prominently displayed these claims on PB8's product label. The claims also have played a central role in Nutrition Now's marketing campaign, which totals "hundreds of thousands" of dollars per year and includes the use of national magazine advertisements.

Jarrow Formulas, Inc. ("Jarrow") offers a competing probiotic supplement. In 1993, Nutrition Now and Jarrow participated in an industry trade show. Jarrow Rogovin, the president of Jarrow, approached Martin Rifkin, the president of Nutrition Now, at the show. Rogovin vigorously complained to Rifkin that Nutrition Now's claims regarding PB8 were false and misleading.

A few months later, Jarrow filed a complaint with the Grievance Committee of the National Nutritional Foods Association. Jarrow alleged that Nutrition Now's claims were "false, unfair, misleading, and illegal" and amounted to "consumer fraud." Jarrow claimed that Institut Rosell ("Rosell"), the manufacturer of its competing product, had tested PB8 and verified that the claims were false. Jarrow urged the Committee to take appropriate action, including releasing a statement declaring the claims false and misleading. [FN1]

On the following day, Jarrow sent a letter to its customers urging them to avoid PB8. The letter explained that PB8 "has been tested, and each test has disclosed a dead, worthless product making ridiculous claims. It is a waste of money and cheats the consumer."

A few days later, Rogovin sent a letter to Nutrition Now on behalf of Jarrow. The letter stated, "I have every intention of putting an absolute and total end to the false claims of your company regarding PB8." Rogovin promised to send PB8 out for independent testing in order "to bury the'product.' " He stated, "I have given you ... a lot of time to clean up your act. Time's up."

The following day, Rogovin sent a letter expressly threatening litigation. The letter stated, "I could be suing

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you for unfair competition already. I could also have just turned Nutrition Now in to the Federal Trade Commission (FTC) for consumer fraud."

Undeterred, Nutrition Now continued to make its claims about PB8. Indeed, Nutrition Now kept the product label unchanged and continued to use the claims as a central part of its marketing campaign. Jarrow, despite its threat of litigation in 1993, waited until August 2000 to file suit. In its suit, Jarrow asserts that Nutrition Now's claims are false and misleading in violation of § 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B). Jarrow also sued under California law for unfair competition, Cal. Bus. & Prof.Code § 17200, and for false advertising, *id.* § 17500.

***2** Nutrition Now moved for summary judgment on the grounds that the statutes of limitation and laches bar Jarrow's claims. The district court held that Jarrow's action was barred by laches, and dismissed the suit. The court declined to address the statutes of limitation question.

In this timely appeal, Jarrow claims that (1) it did not exercise unreasonable delay in filing suit, (2) Nutrition Now would not suffer prejudice if the suit were to proceed, (3) laches, even if generally applicable, does not bar its claim for prospective injunctive relief, (4) the public interest would not be served by barring suit, (5) Nutrition Now is precluded by the unclean hands doctrine from asserting laches, and (6) the district court erred in failing to continue summary judgment pending additional discovery.

II

As a threshold matter, it must be observed that we have expressed inconsistent views of the proper standard of review of the grant of summary judgment on the basis of laches. In *Jackson v. Axton*, 25 F.3d 884, 888 (9th Cir.1994), we remarked, "This court has reviewed a grant of summary judgment on grounds of laches both de novo and for abuse of discretion." [FN2] The court cited *Soules v. Kauaians for Nukolii Campaign Committee*, 849 F.2d 1176, 1180 (9th Cir.1988) as reviewing de novo and *Corrington v. Webb*, 375 F.2d 298, 298 (9th Cir.1967) as reviewing for an abuse of discretion. The *Jackson* discussion was dicta, as the court avoided the question, holding that the result would be the same under either

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standard. 25 F.3d at 888.

Indeed, outside the context of summary judgment, we have expressed further conflicting statements as to the proper standard when the district court enters judgment on the basis of laches. In some cases we have reviewed the district court's laches determination for an abuse of discretion, while in others we have reviewed for clear error; in no cases have we conducted a de novo review. *Compare, e.g., Telink, Inc. v. United States*, 24 F.3d 42, 47 & nn. 10-11 (9th Cir.1994) (abuse of discretion), *Russell v.. Price*, 612 F.2d 1123, 1125 (9th Cir.1979), *and Kimberly Corp. v. Hartley Pen Co.*, 237 F.2d 294, 304 n. 9 (9th Cir.1956), *with Tagaropulos, S.A. v. S.S. Santa Paula*, 502 F.2d 1171, 1171 (9th Cir.1974) (clear error), *Carter Wallace, Inc. v. Procter & Gamble Co.*, 434 F.2d 794, 803 (9th Cir.1970), *and Crittenden v. Lines*, 327 F.2d 537, 543 (9th Cir.1964).

We disagree with *Jackson* 's dicta that any of our cases have suggested that we review the district court's laches determination de novo. *Jackson* relied solely upon our decision in *Soules*, 849 F.2d at 1180. In *Soules*, the district court had granted summary judgment on the basis of laches. We broadly stated, "Reviewing this grant of summary judgment de novo ... we affirm...." *Id.* (internal citations omitted). After a thorough review of the district court's reasoning, we concluded, "that the district court did not err in barring appellants' ... claim ... on the ground of laches." *Id.* at 1182.

***3** [1] Contrary to *Jackson* 's suggestion, *Soules* cannot be fairly read as applying a de novo standard to the district court's laches determination. When a district court grants summary judgment on the basis of laches, we review certain aspects of the district court's decision de novo. For example, we review de novo whether the district court inappropriately resolved any disputed material facts in reaching its decision. *See Kling v. Hallmark Cards Inc.*, 225 F.3d 1030, 1035-36, 1041 (9th Cir.2000); *Brown v. Continental Can Co.*, 765 F.2d 810, 815 (9th Cir.1985); *see also Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 819 (7th Cir.1999); *Exxon Corp. v. Oxxford Clothes, Inc.*, 109 F.3d 1070, 1082 n. 16 (5th Cir.1997). We also review de novo whether laches is a valid defense to the particular cause of action. *See Wyler Summit*

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P'ship v. Turner Broadcasting Sys., Inc., 235 F.3d 1184, 1193 (9th Cir.2000); *Jackson*, 25 F.3d at 886. However, the district court's application of the laches factors is entitled to deference, not to be reviewed de novo. *See Bailey v. United States*, 412 F.2d 320, 320 (9th Cir.1969); *Corrington*, 375 F.2d at 298; *see also Hot Wax, Inc.*, 191 F.3d at 818; *Exxon Corp.*, 109 F.3d 1082 n. 16.

Our decision in *Soules* is not to the contrary. *Soules* broadly stated that the district court's grant of summary judgment on the basis of laches is reviewed de novo. 849 F.2d at 1180. *Soules* made this statement in a single sentence with no further discussion or analysis. We do not read *Soules* to hold that all aspects of the district court's laches determination are reviewed de novo. If *Soules* intended to adopt this holding, we would expect the court to have discussed why an abuse of discretion or clear error standard was inappropriate. Indeed, such a holding would seemingly conflict with cases such as *Corrington*, 375 F.2d at 298, in which we reviewed application of laches on summary judgment for an abuse of discretion. However, *Soules* did not discuss, let alone attempt to distinguish, cases such as *Corrington*. Therefore, we read *Soules* 's passing reference to a de novo standard as referring only to certain aspects of the district court's decision, and not to the application of the laches factors.

We are still left with the question of the proper standard of review of the court's laches determination. As *Jackson* noted, we have reviewed application of laches for an abuse of discretion on summary judgment. 25 F.3d at 888 (citing *Corrington*, 375 F.2d at 298); *see also Bailey*, 412 F.2d at 320. However, we have also reviewed laches for clear error in seemingly comparable circumstances. *Tagaropulos Inc.*, 502 F.2d at 1171; *Carter Wallace, Inc.*, 434 F.2d at 803; *Crittenden*, 327 F.2d at 543. For example, in *Crittenden*, 327 F.2d at 543, we reviewed for clear error the district court's adoption of the magistrate's recommendation that the suit be dismissed for laches. It is not apparent why, as to a laches issue, we would review for an abuse of discretion on summary judgment, but for clear error when the court adopts the magistrate's recommendation.

***4** Ultimately, any intracircuit conflict need not be resolved in

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this case. The result here will not depend upon whether the abuse of discretion or the clear error standard applies. *See* Danjaq, LLC v. Sony Corp., 263 F.3d 942, 952 (9th Cir.2001) (avoiding question of proper standard for laches by concluding that the result would be the same under either standard); *Apache Survival Coalition v. United States*, 118 F.3d 663, 665 (9th Cir.1997) (same). There is a substantial, if not identical, overlap between the two standards when reviewing for laches. *See Piper Aircraft Corp. v. Wag Aero, Inc.*, 741 F.2d 925, 936, 941 (7th Cir.1984) (Posner, J., concurring). As such, we will review the district court's laches determination for both an abuse of discretion and for clear error, leaving for another day the question of which constitutes the proper standard of review.

III

[2] Jarrow contends that Nutrition Now's claims constitute false and deceptive advertising in violation of § 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B). [FN3] Section 43(a)(1)(B) authorizes suit against persons who make false and deceptive statements in a commercial advertisement about their own or the plaintiff's product. *See Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir.1997); *Cook, Perkiss & Liehe, Inc. v. N. Cal. Collection Serv. Inc.*, 911 F.2d 242, 244 (9th Cir.1990). [FN4] Nutrition Now first made the challenged claims about PB8 in 1985. Jarrow confronted Nutrition Now in 1993, but waited until 2000 to file suit. Nutrition Now asserts that Jarrow's delay results in laches as a bar to suit.

A

[3][4][5] "Laches is an equitable time limitation on a party's right to bring suit," *Boone v. Mech. Specialties Co.*, 609 F.2d 956, 958 (9th Cir.1979), resting on the maxim that "one who seeks the help of a court of equity must not sleep on his rights." *Piper Aircraft, Corp.*, 741 F.2d at 939 (Posner, J., concurring). It is well established that laches is a valid defense to Lanham Act claims, including those for false advertising. *E.g.*, *Hot Wax, Inc.*, 191 F.3d at 820-21; *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 191 (2d Cir.1996); *see also GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1209 (9th Cir.2000) (considering laches defense to a trademark infringement suit

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under § 43(a)(1)(A)). A party asserting laches must show that it suffered prejudice as a result of the plaintiff's unreasonable delay in filing suit. *Danjaq*, 263 F.3d at 951; *Couveau v. Am. Airlines, Inc.*, 218 F.3d 1078, 1083 (9th Cir.2000).

Laches, an equitable defense, is distinct from the statute of limitations, a creature of law. *E.g.*, *Jackson*, 25 F.3d at 888. Statutes of limitation generally are limited to actions at law and therefore inapplicable to equitable causes of action. *E.g.*, *Patton v. Bearden*, 8 F.3d 343, 347 (6th Cir.1993). Laches serves as the counterpart to the statute of limitations, barring untimely equitable causes of action. *E.g.*, *Jackson*, 25 F.3d at 888.

***5** While laches and the statute of limitations are distinct defenses, a laches determination is made with reference to the limitations period for the analogous action at law. If the plaintiff filed suit within the analogous limitations period, the strong presumption is that laches is inapplicable. *E.g.*, *Shouse v. Pierce County*, 559 F.2d 1142, 1147 (9th Cir.1977) ("It is extremely rare for laches to be effectively invoked when a plaintiff has filed his action before limitations in an analogous action at law has run."). However, if suit is filed outside of the analogous limitations period, courts often have presumed that laches is applicable. *Brown v. Kayler*, 273 F.2d 588, 592 (9th Cir.1959); *Wilson v. Northwest Marine Iron Works*, 212 F.2d 510, 511 (9th Cir.1954).

1

[6][7] The proper interplay between laches and the statute of limitations for Lanham Act claims is somewhat elusive. *See, e.g.*, *Restatement (Third) of Unfair Competition* § 31 cmt. a (discussing the uncertain role of the statute of limitations for Lanham Act claims). The Lanham Act contains no explicit statute of limitations. *E.g.*, *Official Airline Guides, Inc. v. Churchfield Publ'ns, Inc.*, 6 F.3d 1385, 1395 (9th Cir.1993). When a federal statute lacks a specific statute of limitations, we generally presume that Congress intended to "borrow" the limitations period from the most closely analogous action under state law. *Reed v. United Transp. Union*, 488 U.S. 319, 324, 109 S.Ct. 621, 102 L.Ed.2d 665 (1989); *DelCostello v. Int'l Bhd. of Teamsters*, 462 U.S. 151, 158,

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103 S.Ct. 2281, 76 L.Ed.2d 476 (1983); *see also* *Barajas v. Bermudez*, 43 F.3d 1251, 1256 (9th Cir.1994). This presumption may be trumped; we will not borrow a state limitations period if "a rule from elsewhere in federal law clearly provides a closer analogy than available state law statutes, and when the federal policies at stake and the practicalities of litigation make that rule a significantly more appropriate vehicle for interstitial lawmaking." *Reed*, 488 U.S. at 324; *see also* *Barajas*, 43 F.3d at 1256.

In passing, we have stated that § 43(a) borrows a state limitations period as a statute of limitations defense. *See* *Karl Storz Endoscopy v. Surgical Techs., Inc.*, 285 F.3d 848, 857 (9th Cir.2002); *General Bedding Corp. v. Echevarria*, 947 F.3d 1395, 1397 & n. 2 (9th Cir.1991). Curiously, these cases failed to consider whether "a rule from elsewhere in federal law" provides a better "analogy." *Reed*, 488 U.S. at 324. Specifically, these cases failed to consider whether Congress intended that laches, as opposed to the statute of limitations, be the sole timeliness defense available to § 43(a) claims. Section 43(a) monetary relief is "subject to the principles of equity," 15 U.S.C. § 1117(a), and injunctive relief is similarly available "according to the principles of equity." *Id.* § 1116(a). Given the equitable character of § 43(a) actions, Congress might have intended that laches be the sole timeliness bar to suit. [FN5] *Cf.* *Tandy Corp. v.. Malone & Hyde, Inc.*, 769 F.2d 362, 365 (6th Cir.1985) ("In determining when a plaintiff's suit should be barred under the Act, courts have consistently used principles of laches as developed by courts of equity."); *Ediciones Quiroga S.L. v. Fall River Music Inc.*, 35 U.S.P.Q.2d 1814, 1819 (S.D.N.Y.1995) ("[G]iven the equitable nature of Lanham Act remedies and the ... application of the laches doctrine, laches is the more appropriate defense [than the statute of limitations]."), *modified on other grounds by*, No. 93 Civ. 3914, 1995 WL 366287 (S.D.N.Y. June 20, 1985); David C. Stimson, *Statutes of Limitations in Trademark Actions*, 71 Trademark Rep. 605, 611-14 (1981) (explaining that a statute of limitations defense might be unavailable due to the equitable nature of § 43(a) claims).

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***6** [8] While it is uncertain whether Congress intended the statute of limitations to be a separate defense, the analogous state limitations period nonetheless plays a significant role in determining the applicability of laches. We have stated in contexts outside of the Lanham Act that the presumptive applicability of laches turns on whether the limitations period for the analogous action at law has expired. *E.g.*, *Shouse*, 559 F.2d at 1147; *Brown*, 273 F.2d at 592; *Wilson*, 212 F.2d at 511. Therefore, consistent with the views of our sister circuits, we hold that if a § 43(a) claim is filed within the analogous state limitations period, the strong presumption is that laches is inapplicable; if the claim is filed after the analogous limitations period has expired, the presumption is that laches is a bar to suit. *See Lyons Partnership, L.P., Inc. v. Morris Costumes, Inc.*, 243 F.3d 789, 799 (4th Cir.2001); *Kason Indus., Inc. v. Component Hardware Group, Inc.*, 120 F.3d 1199, 1203 (11th Cir.1997); *Hot Wax, Inc.*, 191 F.3d at 821; *Conopco, Inc.*, 95 F.3d at 821; *Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362, 365-66 (6th Cir.1985); *Univ. of Pittsburgh v. Champion Prods. Inc.*, 686 F.2d 1040, 1045 (3d Cir.1982).

3

[9] We must next determine *when* the analogous statute of limitations has expired for the purpose of fixing the presumption for laches. For many Lanham Act claims, the alleged violations are ongoing, *i.e.*, the wrongful acts occurred both within and without the limitations period. *E.g.*, *Danjaq*, 263 F.3d at 953-54. As such, the statute of limitations is conceivably only a bar to monetary relief for the period outside the statute of limitations; the plaintiff is free to pursue monetary and equitable relief for the time within the limitations period. *E.g.*, *id.*; *Hot Wax, Inc.*, 191 F.3d at 821-22; 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 31.33 (4th ed. 2001) ("Usually, infringement is a continuing wrong, and the statute of limitations is no bar except as to damages beyond the statutory period.").

[10] We hold that the presumption of laches is triggered if any part of the claimed wrongful conduct occurred beyond the limitations period. To hold otherwise would "effectively swallow the rule of laches, and render it a spineless defense."

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Danjaq, 263 F.3d at 953; *see also* *Bridgestone/Firestone Research, Inc. v. Auto. Club De L'Ouest De La France*, 245 F.3d 1359, 1364 (Fed.Cir.2001) ("[T]he theory of "continuing wrong" does not shelter [a defendant] from the defense of laches."); *Hot Wax, Inc.*, 191 F.3d at 821-22 ("Without the availability of the application of laches to a claim arising from a continuing wrong, a party could, theoretically, delay filing suit indefinitely. It would certainly be inequitable to reward this type of dilatory conduct...."). The plaintiff should not be entitled to the strong presumption against laches simply because some of the defendant's wrongful conduct occurred within the limitations period. Laches penalizes dilatory conduct; as such, the presumption is that a § 43(a) plaintiff is barred if he fails to file suit promptly when the defendant commences the wrongful conduct.

***7** [11] We further hold, consistent with our precedent, that in determining the presumption for laches, the limitations period runs from the time the plaintiff knew or should have known about his § 43(a) cause of action. *General Bedding Corp.*, 947 F.2d at 1397 n. 2. This principle is grounded in the fact that laches penalizes inexcusable dilatory behavior; if the plaintiff legitimately was unaware of the defendant's conduct, laches is no bar to suit. *See* *Halstead v. Grinnan*, 152 U.S. 412, 417, 14 S.Ct. 641, 38 L.Ed. 495 (1894) ("There must, of course, have been knowledge on the part of the plaintiff of the existence of the rights, for there can be no laches in failing to assert rights of which a party is wholly ignorant, and whose existence he had no reason to apprehend."); *City of Davis v. Coleman*, 521 F.2d 661, 677 (9th Cir.1975) ("An indispensable element of lack of diligence is knowledge, or reason to know, of the legal right, assertion of which is 'delayed.' ").

4

In sum, we presume that laches is not a bar to suit if the plaintiff files within the limitations period for the analogous state action; the presumption is reversed if the plaintiff files suit after the analogous limitations period has expired. For purposes of laches, the limitations period may expire even though part of the defendant's conduct occurred within the limitations period. Further, the state limitations period runs from

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the time the plaintiff knew or should have known about his § 43(a) cause of action.

5

[12] Jarrow and Nutrition Now agree that the analogous limitations period is California's period for fraud, which is three years. *See* Cal.Civ.Proc.Code § 338(d); *Gen. Bedding Corp.*, 947 F.2d at 1397 n. 2; *see also Conopco, Inc.*, 95 F.3d at 191-92 (borrowing New York's fraud period for Lanham Act false advertising claim). It is undisputed that Jarrow knew of its cause of action in 1993, which is well beyond the three-year limitations period. Therefore, we presume that laches is applicable.

B

As the party asserting laches, Nutrition Now must show that (1) Jarrow's delay in filing suit was unreasonable, and (2) Nutrition Now would suffer prejudice caused by the delay if the suit were to continue. *See, e.g., Danjaq*, 263 F.3d at 951.

1

[13] A determination of whether a party exercised unreasonable delay in filing suit consists of two steps. *E.g., Danjaq*, 263 F.3d at 952-55. First, we assess the length of delay, which is measured from the time the plaintiff knew or should have known about its potential cause of action. *E.g., Kling*, 225 F.3d at 1036; *Portland Audubon Soc'y v. Lujan*, 884 F.2d 1233, 1241 (9th Cir.1989). Second, we decide whether the plaintiff's delay was reasonable. *E.g., Danjaq*, 263 F.3d at 954-55; *Couveau*, 218 F.3d at 1083. The reasonableness of the plaintiff's delay is considered in light of the time allotted by the analogous limitations period. *E.g., Sandvik v. Alaska Packers Ass'n*, 609 F.2d 969, 971 (9th Cir.1979). We also consider whether the plaintiff has proffered a legitimate excuse for its delay. *E.g., Danjaq*, 263 F.3d at 954-55 (outlining several legitimate excuses for delay in filing suit).

***8** The district court did not err in concluding that Jarrow exercised unreasonable delay in filing suit. Jarrow knew of its potential cause of action in 1993, but waited until 2000 to file suit. [FN6] Jarrow's seven-year delay is more than double the time available to file suit under the analogous limitations period. *See* Cal.Civ.Proc.Code § 338(d).

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Further, Jarrow does not offer a legitimate excuse for its lengthy delay. Jarrow attributes its delay to a problem with its supplier, Rosell. Jarrow avers that it did not wish to file suit without laboratory analysis from Rosell proving Nutrition Now's claims false. Rosell, however, had a policy of not providing laboratory analysis to be used in litigation. Jarrow promptly filed suit after Rosell changed its policy.

As the district court correctly noted, Rosell's litigation policy did not excuse Jarrow's delay in filing suit. Jarrow could have sought laboratory testing from another source. While Jarrow stresses that Rosell possessed unique expertise regarding probiotic nutritional supplements, it made no attempt to solicit an alternative tester. Jarrow undoubtedly perceived that its success in litigation would be bolstered by the submission of Rosell's test results. Nonetheless, Rosell's litigation policy did not justify Jarrow's delay in filing suit. Jarrow's delay in filing suit was unreasonable.

2

[14] Laches will not apply unless Nutrition Now will suffer prejudice from Jarrow's delay if the suit were to proceed. *E.g.*, *Shouse*, 559 F.2d at 1147 ("Difficulties caused by the pendency of a lawsuit, and not by delay in bringing the suit do not constitute prejudice within the meaning of the laches doctrine."). The district court concluded that Nutrition Now would suffer prejudice because it used the challenged claims as a significant part of PB8's marketing to the public.

Nutrition Now has closely tied the challenged claims to PB8 since initial distribution in 1985. Nutrition Now has always prominently displayed the claims on PB8's product label. Nutrition Now has also used the claims as a central part of its extensive marketing campaign, which totals "hundreds of thousands" of dollars per year and includes the use of national magazine advertisements.

At bottom, Nutrition Now has invested enormous resources in tying PB8's identity to the challenged claims. After waiting for several years, Jarrow now seeks to compel Nutrition Now to abandon its presentation of PB8, forcing it to adopt a materially different characterization of its product. If Jarrow had filed suit sooner, Nutrition Now could have

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invested its resources in shaping an alternative identity for PB8 in the minds of the public. *See, e.g ., Hot Wax, Inc.*, 191 F.3d at 813 ("The market position pursued by[the defendant] with respect to the products at issue was uncontested by [the plaintiff] for years and courts have held that investments to exploit such a position are sufficient prejudice to warrant the application of the doctrine of laches."); *Conopco, Inc.*, 95 F.3d at 192-93 (finding prejudice because defendant may have chosen an alternative marketing position if the plaintiff had filed suit earlier). In light of the presumption of prejudice and our deferential standard of review, we must conclude that Nutrition Now would be prejudiced if Jarrow's suit were to proceed.

C

***9** [15] Jarrow argues that even if laches is otherwise applicable, it should not bar its claim for prospective injunctive relief. It has often been said that laches is generally not a bar to prospective injunctive relief. *See, e.g., Danjaq*, 263 F.3d at 959-60; *Lyons P'ship, L.P.*, 243 F.3d at 799. Often the defendant will not be prejudiced by a bar on future conduct. As we recently explained, "Laches stems from prejudice to the defendant occasioned by the plaintiff's past delay, but almost by definition, the plaintiff's past dilatoriness is unrelated to a defendant's ongoing behavior that threatens future harm." *Danjaq*, 263 F.3d at 959-60.

In this case, Nutrition Now would be prejudiced by a prospective injunction. As discussed above, Nutrition Now has made the challenged claims a central part of PB8's identity in the minds of the public. *See, e.g., Conopco, Inc.*, 95 F.3d at 190, 192-93 (applying laches to a request for prospective injunctive relief because the challenged claims were a central part of the product's presentation to the public); *Hot Wax, Inc.*, 191 F.3d at 824 & n. 3 (same). Nutrition Now would be prejudiced if forced to abandon its long-term investment in its presentation of PB8 to the public. Therefore, laches bars Jarrow's claim for prospective injunctive relief.

D

[16][17] Jarrow argues that regardless of whether Nutrition Now can show unreasonable delay and prejudice, the public's interest defeats application of laches. Because laches is an equitable remedy,

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laches will not apply if the public has a strong interest in having the suit proceed. *See, e.g.*, *Maryland National Capital Park & Planning Comm'n v. United States Postal Serv.*, 487 F.2d 1029, 1042 (D.C.Cir.1973) ("Equitable remedies depend not only on a determination of legal rights and wrongs, but on such matters as laches, good (or bad) faith, and most important an appraisal of the public interest."); *cf. Portland Audubon Soc'y*, 884 F.2d at 1241 ("We have repeatedly cautioned against application of the equitable doctrine of laches to public interest environmental litigation."). The public's interest is of overriding importance, and as such, should be considered apart from any presumption of laches. *Cf. Conopco, Inc.*, 95 F.3d at 187 ("[T]he public good is of *paraount* importance when considering the equitable defense of laches." (emphasis added)).

Jarrow contends that Nutrition Now is duping the public into buying a worthless product. Because consumers are allegedly taking PB8 under the false impression that it will improve their health, Jarrow argues that the public has a strong interest in allowing the suit to proceed.

Jarrow correctly notes that the public has *some* interest in its suit. However, we must be careful not to define the public's interest in such a manner as to "effectively swallow the rule of laches, and render it a spineless defense." *Danjaq*, 263 F.3d at 953. For example, the public surely has *some* interest in ensuring that all product advertisements are materially accurate. However, if a plaintiff could defeat laches simply by asserting the public's interest in accurate advertising, laches would in effect not be a defense to Lanham Act false advertising claims. *Cf. Hot Wax, Inc.*, 191 F.3d at 826 (guarding against the adoption of any rule that would effectively eliminate laches as a defense to Lanham Act false advertising claims).

***10** Of course, the public has a particularly strong interest in an accurate description of health and medical products. *See, e.g.*, *Conopco*, 95 F.3d at 194 ("We have consistently held that the public's interest is especially significant when health and safety concerns are implicated, as with the advertising of over the counter medications."). Nevertheless, in order to ensure that laches remains a viable defense to Lanham Act claims, the public's interest will trump laches only when the suit

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concerns allegations that the product is harmful or otherwise a threat to public safety and well being. *Cf. id.*

Jarrow vigorously asserts that PB8 lacks the potency and effectiveness of competing probiotic supplements. However, the critical question is whether consumer health will be materially affected as a *consequence* of taking PB8. Mindful of our deferential standard of review, we cannot conclude that Jarrow has made such a showing. Consumer health may be *benefitted* by taking probiotic nutritional supplements. But, we cannot conclude that the failure to take an effective probiotic supplement puts consumer health in jeopardy. For example, Jarrow has not shown that probiotic supplements are akin to drugs such as heart medicine, which if ineffective, would lead to severe consequences.

Further, Nutrition Now does not promote PB8 in a manner that implicates public health concerns. Nutrition Now is not misleading consumers into departing from established medical care. For example, Nutrition Now does not urge consumers to take PB8 in lieu of prescribed medication. Nutrition Now markets PB8 as a *supplement* to, not a panacea for, better health.

Apart from alleging that PB8 is generally ineffective, Jarrow also claims that PB8 contains a dangerous strain of bacteria, S. faecium. However, Jarrow's allegations regarding the effect of this strain are conclusory, and at best, merely suggest that the strain is controversial. On this record, we cannot conclude that the district court erred.

E

[18][19] Alternatively, Jarrow argues that Nutrition Now is precluded from asserting laches because of unclean hands. A party with unclean hands may not assert laches. *E.g.*, *Hot Wax, Inc.*, 191 F.3d at 825; *see also GoTo.com, Inc.*, 202 F.3d at 1209 (applying unclean hands doctrine toLanham Act trademark infringement action). The unclean hands doctrine "closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief." *Precision Instr. Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 814, 65 S.Ct. 993, 89 L.Ed. 1381 (1945). The party must have "acted fairly and

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without fraud or deceit as to the controversy in issue." *Adler v. Fed. Republic of Nigeria*, 219 F.3d 869, 877 (9th Cir.2000) (internal quotation marks omitted). However, unclean hands does not constitute "misconduct in the abstract, unrelated to the claim to which it is asserted as a defense." *Republic Molding Corp. v. B.W. Photo Utils.*, 319 F.2d 347, 349 (9th Cir.1963).

***11** Jarrow argues that Nutrition Now acted with unclean hands because it made the challenged claims knowing they were false. In a Lanham Act false advertising suit, a plaintiff cannot ordinarily show unclean hands, and thereby defeat laches, simply by alleging that the defendant made claims knowing that they were false. *See, e.g., Hot Wax, Inc.*, 191 F.3d at 826. "To conclude otherwise would be effectively to preclude the application of laches whenever a dispute of fact regarding the merits of a Lanham Act claim existed because ... conceivably all suits involving Lanham Act claims could involve accusations of fraudulent or deceptive conduct." *Id* . A plaintiff can escape laches under the unclean hands doctrine only if the court is left with a firm conviction that the defendant acted with a fraudulent intent in making the challenged claims. *See id.* Jarrow has not come close to making such a showing in this case.

Jarrow also claims that Nutrition Now is barred by unclean hands because of its conduct in defending Jarrow's accusations in 1993. When Jarrow initially leveled its accusations about PB8, Nutrition Now retained Alpha Omega ("Alpha"), a microbiology laboratory. Alpha tested samples of PB8 and transmitted its findings to Nutrition Now. Unbeknownst to Alpha, Nutrition Now prepared a report based on the findings. Nutrition Now also created a graphic letterhead for Alpha for use on the report, without Alpha's knowledge or permission. Nutrition Now transmitted the report to a "small number of health stores," along with a cover letter disparaging Jarrow's accusations.

Alpha promptly complained to Nutrition Now. Alpha charged that the report contained information that it did not verify and would not stand by. Alpha also resented the fact that Nutrition Now put Alpha's letterhead on a report that it did not prepare. Nutrition Now promptly ceased using the

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report after receiving Alpha's complaint.

Nutrition Now's actions, while troubling, do not amount to unclean hands. The report was distributed to only a "small number" of stores. Nutrition Now promptly ceased using the report after Alpha complained. It is also significant that Jarrow was not misled by the report. Perhaps, Nutrition Now's hands are not as "clean as snow." *GoTo.com, Inc.*, 202 F.3d at 1210. However, we cannot conclude that its actions rise to the level of unclean hands.

IV

[20] Jarrow also appeals the district court's denial of its Rule 56(f) motion for a continuance of the summary judgment motion pending additional discovery. A Rule 56(f) motion must set forth why additional discovery is warranted and the particular facts expected to be discovered. *E.g.*, *Mackey v. Pioneer Nat'l Bank*, 867 F.2d 520, 523 (9th Cir.1989). While Jarrow presented a laundry list of additional information it wished to discover, none of this information was necessary to defend against laches. The district court did not abuse its discretion in denying Jarrow's motion. *See Pfingston v. Ronan Eng'g Co.*, 284 F.3d 999, 1005 (9th Cir.2002).

V

***12** [21] Finally, Jarrow appeals the district court's application of laches to its state law claims for unfair competition, Cal. Bus. & Prof.Code § 17200, and false advertising, *id.* § 17500. We need not decide whether the California and federal laches standards are identical. The standards are substantially similar, and any differences would not affect the result in this case. *See, e.g.*, *Finnie v. Town of Tiburon*, 199 Cal.App.3d 1, 244 Cal.Rptr. 581, 588 (Ct.App.1988) ("It is well settled that laches is established by showing unreasonable delay in bringing the action and prejudice to defendant resulting from this delay. It is likewise recognized that the defense of laches can be asserted in injunction cases." (internal citations omitted)); *Vernon Fire Fighters Ass'n v. City of Vernon*, 178 Cal.App.3d 710, 223 Cal.Rptr. 871, 877 (Ct.App.1986) ("The prejudice must be caused by the delay and may be of either a factual nature or some prejudice in the presentation of a defense."); *People v. Dep't of Housing &*

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Cmty. Dev., 45 Cal.App.3d 185, 119 Cal.Rptr. 266, 273 (Ct.App.1975) (recognizing that public interest can trump application of laches). The district court did not err in applying laches to Jarrow's state claims.

AFFIRMED.

FN1. Ultimately, the Committee took no action.

FN2. ***Jackson*** later was abrogated on other grounds. *See Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994).

FN3. The statute provides, in relevant part:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any ... false or misleading representation of fact, which--

...

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

§ 1125(a).

FN4. A prima facie case requires a showing that (1) the defendant made a false statement either about the plaintiff's or its own product; (2) the statement was made in a commercial advertisement or promotion; (3) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (4) the deception is material, in that it is likely to influence the purchasing decision; (5) the defendant caused its false statement to enter

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interstate commerce; and (6) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to the defendant, or by a lessening of goodwill associated with the plaintiff's product. *Southland Sod Farms*, 108 F.3d at 1139; *Cook, Perkiss & Liehe, Inc.*, 911 F.2d at 244.

FN5. The equitable nature of § 43(a) is further confirmed by the fact that laches is a bar to monetary relief under the act. *E.g.*, *Hot Wax, Inc.*, 191 F.3d at 822; *Skippy, Inc. v. CPC Int'l., Inc.*, 674 F.2d 209, 212 (4th Cir.1982); *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1344 (2d Cir.1975). ***But see*** *Grant Airmass Corp. v. Gaymar Indus., Inc.*, 645 F.Supp. 1507, 1515 (S.D.N.Y.1986) (holding that laches "does not serve to bar claims for damages" under the Lanham Act). On the other hand, § 43(a) cannot be characterized as purely equitable; for example, certain trademark infringement actions trigger a Seventh Amendment right to a jury trial, which pertains to actions at law. *See* *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 477-78, 82 S.Ct. 894, 8 L.Ed.2d 44 (1962).

FN6. Jarrow arguably should have known about its potential cause of action in 1985, when Nutrition first made the challenged claims about PB8. Ultimately, the result does not depend upon whether 1985 or 1993 is the appropriate date. Accordingly, we need not decide whether Jarrow should have known about its cause of action in 1985. Jarrow suggests that its delay should be measured from 1999, when the FDA enacted regulations pertaining to the

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(Cite as: 2002 WL 1163624 (9th Cir.(Cal.)))

labeling of nutritional supplements, 21 C.F.R. § § 101.4, 101.36. This argument is entirely without merit.

FN* The Honorable Glenn L. Archer, Senior Circuit Judge of the United States Court of Appeals for the Federal Circuit, sitting by designation.

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No.02-489

IN THE

Supreme Court of the United States

JARROW FORMULAS, INC.,

Petitioner,

v.

NUTRITION NOW, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF IN OPPOSITION

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STATEMENT PURSUANT TO RULE 29.6

Respondent, Nutrition Now, Inc., has no parent corporation, and no publicly-held company owns 10% or more of its stock.

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The Petition for a Writ of Certiorari should be denied because there is no compelling reason for this Court to exercise its discretion to review the judgment of the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit"), issued on June 4, 2002, affirming the Judgment of the United States District Court, Central District of California (the "District Court"), entered on November 14, 2000.

There is no conflict between the Ninth Circuit's ruling and the decisions of other United States Court of Appeals, nor does the Petition raise any important issue of law. Indeed, on the record below, neither of the questions posed by Petitioner, Jarrow Formulas, Inc. ("Jarrow"), presents any genuine issue. Rather, what Jarrow advances is solely a matter of private commercial interest. This is admitted not only by Jarrow's protracted delay in filing suit, but by its failure to even attempt to involve any of the Federal regulatory agencies charged with protecting the public interest. Both the District Court and the Ninth Circuit considered Jarrow's public interest argument and correctly rejected it because no real issue of public interest is implicated.

Regarding the applicability of laches, the case below involved one basic question: Whether (i) Jarrow's unreasonable delay and (ii) resulting prejudice to Respondent Nutrition Now, Inc. ("Nutrition Now") bars prospective injunctive relief to Jarrow in a false advertising action. The District Court, citing extensive and controlling authority, so found; the Ninth Circuit agreed. Both Courts' rulings were consistent with applicable authority in the other Circuits.

Jarrow has conjured a phantom split of authority between the Third, Fourth, and Sixth Circuits, on the one hand, and the Seventh and Ninth Circuits, on the other hand, regarding whether a laches defense may bar injunctive relief. In fact,

there is no split of authority. All of the Circuits that have considered the issue have acknowledged that a party's laches may bar injunctive relief in appropriate circumstances. The most that can be said is that some Circuits allow the laches defense sparingly and apply it more narrowly under certain circumstances, while others recognize the defense more widely, and apply it with less scrutiny.

SUMMARY OF REASONS FOR DENYING THE PETITION

A. *This Court Has Long Held That A Party's Laches May Bar Prospective Relief*

Contrary to Jarrow's assertion, in *Danjaq v. Sony Corp.*, 263 F.3d 942 (9th Cir. 2001), the Ninth Circuit did not depart radically from prior precedent when it concluded that laches could bar injunctive relief (Petition at p. 12). Decades before its decision in *Danjaq*, citing controlling precedent from this Court, in *Prudential Insurance Company of America v. Gibraltar Financial Corporation of California*, 694 F.2d 1150, 1152 and n.1 (9th Cir. 1982), *cert. denied*, 463 U.S. 1208, 103 S. Ct. 3538, 77 L. Ed. 2d 1389 (1983), the Ninth Circuit expressly endorsed an application of laches as a bar to injunctive relief.

In *Prudential*, citing numerous supporting cases from the Second, Third, Fourth, Seventh and Tenth Circuits, the Ninth Circuit noted that

> [t]he Supreme Court explicitly made laches available as an equitable defense barring injunctive relief in *United Drug Co. v. Rectanus Co.*, 248 U.S. 90, 102-103, 39 S. Ct. 48, 52-53, 63 L. Ed. 141 (1918); and *La Republique Francaise v. Saratoga Vichy Spring Company*, 191 U.S. 427, 436-437, 24 S. Ct. 145, 146-147, 48 L. Ed. 247 (1903).

Id. at 1152. This Court also ruled to like effect in *Hanover Star Milling Company v. D.D. Metcalf*, 240 U.S. 403, 36 S. Ct. 357, 60 L. Ed. 713 (1916) (preliminary injunction denied and plaintiff estopped from asserting trademark infringement because defendant had, in good faith, expended money and efforts to build its trade).

Accordingly, the Ninth Circuit's application of laches to bar Jarrow's claim for injunctive relief was supported by Supreme Court precedent. As is discussed below, it was also consistent with Circuit Court precedent.

B. *There Is No "Split" Among The Circuit Courts On The Availability Of Laches As A Bar To Prospective Relief*

The availability of laches as a bar to prospective relief is well accepted. *See generally*, 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 31.30 (4th ed. 2002) (hereinafter, "*McCarthy Trademarks*"). The list of Circuit Court decisions approving the application of a laches defense to bar prospective injunctive relief has only grown in the twenty years since the Ninth Circuit compiled its catalogue of such decisions in *Prudential*, *supra* at n.1. Since that time[1], numerous Circuits, including the Fourth and Sixth Circuits, have discussed or applied laches in the context of an application for prospective relief. *See, e.g.*, *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 192 (2d Cir. 1996) (dismissing on laches grounds claim for permanent injunctive relief against alleged false advertisement); *Sara Lee Corporation v. Kayser-Roth*

1. This discussion focuses only on cases decided after the Ninth Circuit's 1982 decision in *Prudential*, *supra*, because the Court in that case created a virtual digest of the rulings among the Circuits at the time. As is discussed more fully, *infra*, subsequent rulings among the Circuits have remained consistent with *Prudential*.

Corporation, 81 F.3d 455, 461 (4th Cir. 1996), *cert. denied*, 519 U.S. 976, 117 S. Ct. 412, 136 L. Ed. 2d 325 (1996) (Courts may sparingly apply estoppel by laches in trademark infringement case to deny injunction to plaintiff who unreasonably delayed seeking redress to defendant's detriment); *Skippy, Inc. v. CPC International, Inc.*, 674 F.2d 209, 212 (4th Cir. 1982), *cert. denied*, 459 U.S. 969, 103 S. Ct. 298, 74 L. Ed. 2d 280 (1982) (availability of laches as a defense to claims for injunctive relief for trademark infringement and unfair competition may be limited when defendant is guilty of bad faith infringement); *Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362, 366 n.2 (6th Cir. 1985), *cert. denied*, 476 U.S. 1158, 106 S. Ct. 2277, 90 L. Ed. 2d 719 (1986) (some affirmative conduct in the nature of an estoppel, prejudice, or conduct amounting to "virtual abandonment" is necessary to deny injunctive relief in trademark infringement action); *Kellog Company v. Exxon Corporation*, 209 F.2d 562, 568 (6th Cir. 2000), *cert. denied*, 531 U.S. 944, 121 S. Ct. 340, 148 L. Ed. 2d 273 (2000) (defendant must prove elements of estoppel to defeat injunctive relief in trademark infringement action); *Chattanooga Manufacturing, Inc. v. Nike, Inc.*, 301 F.3d 789 (7th Cir. 2002) (injunctive relief denied where trademark holder's 14 year delay was unreasonable and prejudicial); *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813 (7th Cir. 1999) (claim dismissed on laches because of plaintiff's delay of over 20 years in asserting false advertising claim).

Jarrow's selective treatment of the case law (Petition at pp. 10-21) ignores the wealth of authority which shows that, rather than a "split" among the Circuits, there is virtual unanimity on the availability of laches as a bar to prospective relief. *See also* 5 *McCarthy Trademarks*, § 31.22 (4th ed. 2002).

Finally, Jarrow's argument also hinges on a fabricated public interest argument. On one level, Jarrow's claim is an attempt to enforce regulations that it has no standing to assert.

On a more important level, Jarrow's claim is premised on assumptions that are either outside the record, or are contradicted by the facts in it. Both the District Court and the Ninth Circuit considered and appropriately rejected Jarrow's public interest argument.

COUNTER-STATEMENT OF THE CASE

Jarrow filed its Complaint on August 18, 2000, and its First Amended Complaint on August 23, 2000. The First Amended Complaint asserted claims of Unfair Competition, Violation of the Lanham Act (15 U.S.C. § 1125(a)), Unfair Trade Practices under California Law (California Business & Professions Code §§ 17200, *et seq.*), and False Advertising under California law (California Business and Professions Code §§ 17500, *et seq.*) against Nutrition Now, all of which were based upon Jarrow's allegations that the label on Nutrition Now's probiotic product, "PB8," contained false and misleading statements. Jarrow sought damages and injunctive relief.

Pursuant to Supreme Court Rules 15.3, 24.2 and 24.1(g), Nutrition Now recites briefly the facts that are material to the two issues presented to this Court.[2]

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2. Jarrow's Petition cites with alarming frequency to matters outside the record in this action. The examples are too numerous to list or to correct. However, some of the more egregious examples include the following: (1) Jarrow fails to note that PB8 is a proprietary blend and, therefore, not subject to the sections of the DSHEA that Jarrow cites [Petition, p. 3, n.2]; (2) Jarrow ignores the fact that Nutrition Now's claims are made as of the date of manufacture and erroneously compares this claim with the results of Jarrow's purported tests, the invalidity of which was demonstrated in the District Court [Petition, pp. 3-6]; and (3) Jarrow claims an inability to test PB8, which, in addition to being irrelevant, is belied by Rogovin's claim that he had tested PB8 in 1993 [Petition, pp. 4-5].

A. *Nutrition Now's Probiotic Supplement, PB8*

Nutrition Now has made the same three basic claims for its PB8 product since its introduction in 1985: (1) 14 billion good bacteria at the time of manufacture; (2) 8 types of beneficial bacteria; and (3) No refrigeration needed.

The cultures from which PB8 is manufactured are tested by an independent laboratory, and the bacteria count for each lot is verified, as of the time of manufacturing. Eight different types of bacteria are used in the manufacture of the product and the product may be stored at room temperature.

B. *Consumer Satisfaction With PB8*

Nutrition Now and Jarrow are direct competitors in the natural probiotic market. Despite the highly competitive nature of the probiotic business, the market for PB8 has increased steadily due to customer satisfaction and increased distribution. Nutrition Now is one of the industry's leaders. Its growth is due to both marketing support and customer satisfaction, which was shown to the satisfaction of both the District Court and the Ninth Circuit. (Pet. Appendix A, pp. 16a-18a; Appendix C, pp. 57a-60a.) Nutrition Now is a member of the National Nutritional Foods Association ("NNFA") and the American Herbal Products Association. PB8 was named the nation's number one probiotic product by Vitamin Retailer Magazine, winning the Gold Medal "Vity" Award for Nutrition Now the last three years prior to the commencement of the action below.[3] Nutrition Now has

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3. Revealing its true motivation, Jarrow simply waited until Nutrition Now was sufficiently successful so as to warrant filing an action. As the Seventh Circuit observed in *Hot Wax, Inc. v. Turtle*

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at all times complied with all applicable regulations promulgated by the Federal Food and Drug Administration concerning Probiotic products, and has never been cited for any regulatory violation concerning probiotic products.

C. *All Of Jarrow's Claims Date Back To 1993*

Nutrition Now's president, Martin Rifkin ("Rifkin"), was first confronted by Jarrow Rogovin ("Rogovin"), Jarrow's President, at a trade show in Seattle, Washington, in mid-1993. At that time, Rogovin disparaged Nutrition Now's product and business practices, and accused it of false labeling, false advertising, and fraudulent business practices — the very same claims that Jarrow asserted seven years later when it belatedly filed the underlying action.

The trade show encounter was but a precursor of Jarrow's 1993 attack on Nutrition Now's business. On September 22, 1993, Jarrow filed a letter of complaint with the NNFA, again making the same claims asserted in this case. Jarrow asserted that PB8's labeling made the following "false, unfair, misleading and illegal claims": "1) That the product contains '14 Billion Good Bacteria Per Capsule'; 2) That each capsule contains '8 Strains of Viable Bacteria'; 3) That 'No Refrigeration Needed.' " Jarrow also stated that Institut

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Wax, Inc., 191 F.3d 813, 823 (7th Cir. 1999), not only should this kind of conduct not be allowed, it underlies the purpose of the laches defense: "[I]t cannot be equitable for a well-informed merchant with knowledge of a claimed invasion of right to wait to see how successful his competitor will be and then destroy with the aid of court decree much that the competitor has striven for and accomplished." (*quoting Polariod Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 498 (2d Cir. 1961)).

Rosell, its manufacturer, had tested PB8 and that, "Institut Rosell has found virtually no live bacteria in this product." In this letter of complaint, Jarrow also complained of Nutrition Now's "protein matrix" coating[4], which it rejected as being a "fraud," "illegal," and "unfair," and the order of the organisms listed on bottles of PB8, which Jarrow attacked as "doubtful."

In a separate letter to its customers, dated September 23, 1993, Jarrow assailed PB8 as being "worthless" and "sold under false circumstances." Nutrition Now responded that Jarrow's allegations were merit less and demanded that Jarrow cease and desist its disparagement. Jarrow refused and responded on September 24 with a lengthy and vitriolic personal attack on Rifkin's character and competence, and further accused Nutrition Now of making false and unsubstantiated statements.

Rogovin continued his attack with yet another letter to Rifkin, dated September 25, 1993. In that letter, Rogovin asserted that he was pursuing a "counterassault" against PB8, and acknowledged that the time for Jarrow to file an action against Nutrition Now was running:

> I want you to be aware of the fact that my counterassault against your fraudulent marketing of PB8 is relatively kind. I could be suing you for unfair competition already. I could also have just turned Nutrition Now in to the Federal Trade Commission (FTC) for consumer fraud.

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4. Conveniently, but not coincidentally, the "protein matrix," which Jarrow had dismissed as meaningless in 1993 was not an impediment to testing PB8 until Jarrow had to try to fabricate arguments against entry of summary judgment against it in the underlying action. As noted by the District Court, the fallacy of this argument was betrayed by Rogovin himself in 1993 when he asserted that he had already had Institut Rosell test PB8 in 1993.

Acknowledging that the time-clock was ticking on his claims, Rogovin stated:

> If you knew what I knew about your product, what would you do after all this time?

and attached a further "personal note" to his letter:

> I have given you, sir, a lot of time to clean up your act. Time's up.

Although the Petition attempts to portray Rogovin as a simple businessman who lacked legal acumen, he was no stranger to litigation. On the contrary, in his 1993 letters Rogovin bragged about having sued a mutual competitor, Nature's Way, for alleged Lanham Act violations, and claimed that he protected "the entire legitimate probiotic industry." He concluded:

> Sir, you're a morsel by comparison. Don't try to bite off something you can't chew with me. There are two con jobs doing the rounds in the west coast, particularly the northwest: PB8 and Staff of Life. I intend to deliver the coup de grace to both.[5]

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5. Indeed, in an unsolicited letter to Nutrition Now's counsel, dated September 8, 2000, Rogovin detailed a history of strategic litigation against Jarrow's competitors commencing as early as 1989. In that letter, Rogovin went on to state, "The current suit, you're quite correct, may have been a situation known to us . . ." and "I would have been justified in not only suing your client for unfair competition but for libel based upon that horribly dishonest letter your client sent to its customer base dated September 30, 1993." Thus Jarrow's familiarity with the legal system and the extent of Jarrow's unreasonable delay in pursuing its claims are acknowledged expressly by its principal officer.

Despite such sabre-rattling[6], Jarrow waited seven years before he sued Nutrition Now. Similarly, Jarrow never filed any claim with the Federal Trade Commission, and, once the true facts were disclosed, Jarrow's complaint to the NNFA resulted in no action. Rather than act then on whatever legal rights it believed it had, Jarrow sat on them and attacked Nutrition Now in the court of public opinion. Pressed on this issue by both the District Court and the Ninth Circuit, Jarrow was unable to articulate any coherent or reasonable excuse for not having proceeded at that time, as he had so loudly threatened to do.

D. ***Prejudice to Nutrition Now***

Over the 15 years since PB8 was introduced in 1985, Nutrition Now expended "significant" and "enormous" resources in researching, developing, manufacturing, packaging, labeling, distributing, mass-marketing, promoting and advertising its product, while building a solid and satisfied customer base. (Pet., Appendix A, pp. 16a-17a; Appendix C, pp. 57a-58a). Nutrition Now has made heavy capital investments and invested substantial labor, which built PB8's good-will and led to national customer satisfaction. In reliance on Jarrow's acquiescence by its virtual silence between the 1993 threats and the 2000 lawsuit, in good faith Nutrition Now continued to invest in its product and developed substantial business in the probiotic field. Now, Jarrow attempts to gain through litigation the competitive advantage it failed to secure on the merits in the marketplace, which is the true proving ground for customer satisfaction and the public interest.

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6. Jarrow's "public interest" argument is also suspect because of the delay. Were the public interest truly at the bottom of this litigation, why did Jarrow not act sooner? Instead, and again putting the lie to Jarrow's opportunistic accusations, the only competent evidence in the record demonstrates consumer satisfaction with PB8.

E. *Petitioner's Erroneous "Unclean Hands" And Public Interest Arguments*

Both the District Court and the Ninth Circuit rejected Jarrow's contention that Nutrition Now had "unclean hands" in developing the market for PB8. Each court rightly found that the mere ***allegation*** that a party knew that its marketing representations were false, which is simple and easy to claim, could not defeat a valid laches defense. Otherwise, the application of laches would be effectively precluded "whenever a dispute of fact regarding the merits of a Lanham Act claim existed."(Pet., Appendix A, pp. 18a-19a; Appendix C, pp. 60a-61a). Likewise, Jarrow's irrelevant but oft-repeated and hotly disputed allegation of Nutrition Now's test result manipulation in 1993 (Pet., p. 7, n.5)[7], even assuming its truth, was rejected by the Ninth Circuit as insufficient. (Pet., Appendix C, pp. 61a-62a).

Jarrow also advanced the question of the public interest as yet another reason for the courts below to ignore its extensive delay. Both the District Court and the Ninth Circuit noted that the record established little, if any, public interest beyond Jarrow's disputed false labeling allegations. In fact, the record reflected potentially beneficial effects of and consumer satisfaction with PB8. (Pet., Appendix A, pp. 19a-20a; Appendix C., pp. 59a-60a). By contrast, there was "no evidence that N/Now's PB8 has had or is having a negative impact on the public interest[.]" (Pet., Appendix A, p. 20a). In sum, Jarrow did not present any cogent argument invoking the public interest, only its own disputed labeling allegations.

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7. Jarrow's representation of the facts concerning Alpha Omega's testing was based on Rogovin's hearsay statement, which was wholly contradicted by Rifkin before the District Court. Nutrition Now timely and properly objected, however, the claim had little impression on that Court, which found no reason to discuss it in its written opinion.

REASONS FOR DENYING THE PETITION

I. THIS COURT HAS HELD EXPLICITLY THAT LACHES MAY BAR PROSPECTIVE INJUNCTIVE RELIEF UNDER THE LANHAM ACT

This Court has repeatedly affirmed the rule that laches[8], equitable estoppel, acquiescence[9], and estoppel may bar injunctive relief where a defending party has, in good-faith, marketed and expended money and effort to build up its trade and reputation.

In *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 39 S. Ct. 48, 63, L. Ed. 141 (1918), this Court held explicitly that the laches defense is available against injunctive relief. In *Rectanus*, a senior user traded medicines under the "Rex" label, initially throughout Massachusetts; approximately six years later, the junior user began marketing similar medicines under the same label in Louisville, Kentucky. The dispute arose when the senior user expanded into the junior user's market.

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8. Three elements are needed to prove a laches defense: (1) plaintiff's knowledge of defendant's use of its mark; (2) plaintiff inexcusably delayed in taking action; and (3) defendant will be prejudiced if plaintiff were to be permitted to assert its right at this time. *Cuban Cigar Brands N.V. v. Upmann International, Inc.*, 457 F. Supp. 1090, 1096 (S.D.N.Y. 1978), *aff'd*, 607 F.2d 995 (2d Cir. 1979); *Sara Lee Corporation v. Kayser-Roth Corporation*, 81 F.3d 455, 461 (4th Cir. 1996), *cert. denied*, 519 U.S. 976, 117 S. Ct. 412, 136 L. Ed. 2d 325 (1996); *Nartron Corp. v. Stmicroelectronics, Inc.*, 305 F.3d 397 (6th Cir. 2002); *Chattanoga Manufacturing, Inc. v. Nike, Inc.*, 301 F.3d 789, 792-793 (7th Cir. 2002).

9. "Acquiescence" has been held to encompass similar factors. *Times Mirror Magazines, Inc. v. Field & Stream Licenses Company*, 294 F.3d 383, 395 (2d Cir. 2002).

Regarding the application of laches to a request for injunctive relief, this Court in *Rectanus* held that equity will bar prospective relief in cases of good-faith use of a trademark and name. *Id.* at 103. The Court reasoned that a senior user who has confined the use of the "Rex" mark to a limited territory over a long period of time risks having an innocent party apply the same mark to goods of similar character, and expend money and effort in building up a trade under it. Since Rectanus, in good faith and without prior notice, had selected the "Rex" mark and succeeded in building up a local but valuable trade under it by expending money and effort, the petitioner was estopped from setting up the mark's continued use in that territory as an infringement of the trade-mark.

Previously, in *Hanover Star Milling Company v. D. D. Metcalf*, 240 U.S. 403, 36 S. Ct. 357, 60 L. Ed. 713 (1916), this Court also concluded that plaintiff's laches and acquiescence barred injunctive relief for trademark infringement where the defendant's actions were not fraudulent, but made in good faith. *Id.* at 419. In *Hanover Star Milling*, Allen & Wheeler Company had first adopted and used the trade-mark "Tea Rose" on a type of flour that it made and sold only in that part of the United States that was North of the Ohio River. Hanover had also adopted "Tea Rose" as its mark, but in the Southeast. Due to Hanover's efforts over many years, the mark had come to mean Hanover's flour in that territory.

On the issues of laches and acquiescence in trademark infringement cases, this Court in *Hanover Star Milling* concluded that, while injunctive relief would be proper if the defendant had acted fraudulently or with knowledge of the plaintiff's rights, such relief was properly denied since Hanover had not acted fraudulently, but in good-faith. *Id.* at 419.

Even earlier, in *La Republique Francaise v. Saratoga Vichy Spring Company*, 191 U.S. 427, 437, 24 S. Ct. 145, 48 L. Ed. 247 (1903), this Court refused to enjoin the alleged infringer from using the word "Vichy" because the original user had delayed taking action for thirty years and because the labels were dissimilar. The Court reasoned that "with the yearly increasing sales and competition of the defendant company, no move was made against them for twenty-five years, and until 1898, when this bill was filed. A clearer case of laches could hardly exist." *Id.*[10]

II. THE CIRCUITS ARE NOT SPLIT — LACHES IS AVAILABLE AS A DEFENSE TO CLAIMS FOR PROSPECTIVE RELIEF UNDER THE LANHAM ACT

A. *Laches Is Universally Recognized As An Appropriate Consideration Upon An Application For Prospective Relief*

As discussed below, the Second, Third, Fourth, Sixth, Seventh, Ninth and the District of Columbia Circuits all recognize a party's laches as a defense against prospective injunctive relief under the Lanham Act.

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10. The availability of an equitable defense, including laches, to bar an injunction was also recognized in *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*, 483 U.S. 522, 531, 107 S. Ct. 2971, 97 L. Ed. 2d 427 (1987), although laches was not applied on the facts of the case. In that case, the Unites States Olympic Committee ("USOC") had sued a California corporation and various individuals under the Amateur Sports Acts to restrain their use of the term "Olympics" to describe an athletic competition they sponsored. This Court held that an unauthorized user of "Olympic" words and symbols, although lacking normal statutory defenses to trademark infringement, may raise traditional equitable defense, such as laches. *Id.*

The Second Circuit has held that a defendant's good faith is a gateway key to claim the defense of laches as a bar to an injunction. In those instances, the laches defense is not only available to defeat equitable claims for an injunction in a trademark suit, but also to defeat equitable claims for an accounting. *Saratoga Vichy Spring Co., Inc. v. Lehman*, 625 F.2d 1037, 1041 (2d Cir. 1980) (federal trademark, unfair competition, false designation of origin); *Polaroid Corporation v. Polarad Electronics Corporation*, 287 F.2d 492 (2nd Cir. 1961), *cert. denied*, 368 U.S. 820, 82 S. Ct. 36,7 L. Ed. 2d 25 (1961) (plaintiff's 11-year delay, with knowledge of allegedly infringing use barred injunctive relief); *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187 (2d Cir. 1996) (claim for permanent injunctive relief against alleged false advertisement was dismissed on the grounds of laches.)

The Third and Fourth Circuits also apply laches to bar injunctive relief, but with a sense of caution. *Sobosle v. United States Steel Corp.*, 359 F.2d 7, 12 (3d Cir. 1966) (delay or laches may operate as a defense to an injunction when, in light of all the circumstances, a plaintiff has unreasonably delayed seeking relief and the opposing party has been prejudiced[11]); *Fruit Industries v. Bisceglia Bros. Corporation*,

11. While Jarrow notes that in its view there is a split in the Circuits regarding whether economic injury to a defendant caused by delay may properly constitute "prejudice" (Petition at p. 13 n.7), in fact, virtually every Circuit court has recognized economic investment/economic injury to a defendant as a proper factor to be considered in the assessment of whether laches may be asserted as a defense. The Circuits unanimously recognize that economic investment and "substantial activities" constitute prejudice in satisfaction of the third element of laches, equitable laches, or estoppel as defenses barring prospective injunctive relief. *Polaroid Corporation v. Polarad Electronics Corporation*, 287 F.2d 492, 498 (2d Cir. 1961), *cert. denied*, 368 U.S. 820, 82 S. Ct. 36,7 L. Ed. 2d 25 (1961); *Conopco, Inc. v.* (Cont'd)

101 F.2d 752 (3d Cir. 1939), *cert. denied*, 307 U.S. 646, 59 S. Ct. 1043, 83 L. Ed. 1526 (1939) (senior user's three year delays and acquiescence precluded from preventing junior user from using trademark where junior user expended money and effort in building up substantial business); *See Sara Lee*, 81 F.3d at 461 (1996) (estoppel by laches is sparingly applied in trademark infringement actions where plaintiff seeks only equitable relief). *See also* 5 *McCarthy Trademarks*, § 31.7.

Likewise, in *Skippy*, *supra*, the Fourth Circuit clarified the limitations of applying the laches defense and held that

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Campbell Soup Co., 95 F.3d 187, 192 (2d Cir. 1996); *Anheuser-Busch, Inc. v. Du Bois Brewing Co.*, 175 F.2d 370 (3d Cir. 1949), *cert. denied*, 339 U.S. 934, 70 S. Ct. 664, 94 L. Ed. 1353 (1950) (prejudice by defendant's advertising expenses and local good will); *Chapin-Sacks MFG. Co. v. Hendler Creamery Co.*, 254 F. 553, 557 (4th Cir. 1918) (expenditure with knowledge of plaintiff of large sum by deliberate infringer to develop good will in market outside plaintiffs' territory; injunction denied as to this outside territory); *Nartron Corporation*, *supra* (any prejudice is sufficient); *Chattanoga Manufacturing, Inc. v. Nike, Inc.*, 301 F.3d 789, 795 (7th Cir. 2002) (if the delay is lengthy, prejudice is more likely to have occurred, and less proof of prejudice is required); *Advanced Hydraulics, Inc. v. Otis Elevator Company*, 525 F.2d 477, 481 (7th Cir. 1975), *cert. denied*, 423 U.S. 869, 96 S. Ct. 132, 46 L. Ed. 2d 99 (1975); *Safeway Stores, Incorporated v. Safeway Quality Foods, Inc.*, 433 F.2d 99, 103 (7th Cir. 1970); *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 824 (7th Cir. 1999); *Whittaker Corp. v. Execuair Corp.*, 736 F.2d 1341, 1347 (9th Cir. 1984) (detrimental reliance found in merely continuing a business, "incurring additional potential liability" by reason of Plaintiff's delay); *N.A.A.C.P. v. N.A.A.C.P. Legal Defense & Educational Fund, Inc.*, 753 F.2d 131, 138 (D.C. Cir. 1985), *cert. denied*, 472 U.S. 1021, 105 S. Ct. 3489, 87 L. Ed. 2d 623 (1985) (injunctive relief may be appropriately barred under doctrine of laches in a trademark infringement suit when defendant invested substantial labor and capital building trademark's goodwill).

the availability of laches as a defense to claims for injunctive relief for trademark infringement and unfair competition may be limited when the defendant is guilty of bad faith infringement. *Skippy*, 674 F.2d at 212.

The Sixth Circuit's application of laches in trademark infringement cases is well recognized and in some cases depends upon the facts and circumstances of each case. Estoppel (delay, coupled with prejudice) forecloses a plaintiff from obtaining injunctive relief in a trademark infringement action. *TWM Manufacturing Co., Inc. v. Dura Corp.*, 592 F.2d 346, 349-50 (6th Cir. 1979), *cert. denied*, 479 U.S. 852, 107 S. Ct. 183, 93 L. Ed. 2d 117 (1986) (delay of six years and two months); *Tandy Corp.*, 769 F.2d at 366 n.2 (to deny injunctive relief in a trademark infringement action, some affirmative conduct in the nature of an estoppel or conduct amounting to "virtual abandonment" is necessary); *Kellog Company v. Exxon Corporation*, 209 F.3d 562, 568 (6th Cir. 2000), *cert. denied*, 531 U.S. 944, 121 S. Ct. 340, 148 L. Ed. 2d 273 (2000) (defendant must prove elements of estoppel to defeat a suit for injunctive relief). Indeed, in the recent case of *Nartron Corporation, supra*, the court held that a trademark holder was not entitled to prospective relief 11 years after it had knowledge of the alleged infringing activity. (305 F.3d 397, October 1, 2002).

There is no dispute as to the consensus within the Second, Seventh and Ninth Circuits[12]. Jarrow itself submits that the latter

12. Likewise, as noted by the Court below, under California law, laches may properly be applied to defeat an application for prospective relief. *See* Pet., Appendix C, pp. 62a-63a; *Finnie v. Town of Tiburon,* 199 Cal. App. 3d 1, 244 Cal. Rptr. 581, 588 (1988), and cases therein cited. *See also Newman v. Checkrite California, Inc.*, 912 F. Supp. 1354, 1376 (E.D. CA. 1995) (equitable defenses are ordinarily appropriately raised against claims under California Business and Professions Code).

Circuits permit a laches defense to claims for prospective relief in trademark cases. *See Chattanoga Manufacturing, Inc. v. Nike, Inc.*, 301 F.3d 789 (7th Cir. 2002) (judgment for defendant in trademark infringement action for damages and injunctive relief where plaintiff's laches was unreasonable and prejudicial since competitor spent millions of dollars annually promoting its products); *Seven-Up Company v. O-So-Grape Co.*, 283 F.2d 103 (7th Cir. 1960), *cert. denied*, 365 U.S. 869, 81 S. Ct. 903, 5 L. Ed. 2d 859 (1961) (plaintiff's laches barred injunctive relief to restrain Defendant from using trademark); *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813 (7th Cir. 1999) (twenty-year delay constitutes laches which barred plaintiff's false advertising claim); *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 572 F.2d 574, 578-79 (7th Cir. 1978) (affirmative conduct in the nature of estoppel is needed to deny injunctive relief in trademark litigation); *Continental Coatings Corporation v. Metco, Inc.*, 464 F.2d 1375, 1378 (7th Cir. 1972) (plaintiff not entitled to equitable relief for damages for future infringement where delay was unreasonable and unexcused); *Danjaq v. Sony Corp.*, 263 F.3d 942 (9th Cir. 2001) (laches barred prospective injunctive relief as well as retrospective relief in a counterclaim for copyright infringement); *Whitman v. Walt Disney Prod's Inc.*, 263 F.2d 229 (9th Cir. 1958) (laches barred action where passage of time lulled defendant into a false sense of security, and defendant acted in reliance); *E-Systems, Inc. v. Monitek, Inc.*, 720 F.2d 604, 607 (9th Cir. 1983) (for laches to constitute a defense where injunctive relief is sought, passage of time must be accompanied by circumstances which estop plaintiff from obtaining injunctive relief; laches barred injunctive relief).

The cases cited by Jarrow do not support its argument that a "split" exists in the Circuits. Jarrow cites to one case from the Third Circuit in support of its position: *University of Pittsburgh v. Champion Products Inc.*, 686 F.2d 1040 (3d Cir. 1982), *cert. denied*, 459 U.S. 1087, 103 S. Ct. 571,

74 L. Ed. 2d 933 (1982)[13] However, this case is consistent with and reinforces Nutrition Now's arguments: actual laches works as an equitable estoppel barring ***all*** relief and requires a showing of both delay ***and*** prejudice. *Id.* at 1044. Accordingly, the reason why the *Pittsburgh* Court concluded that the university's delay did not bar its right to injunctive relief was that the manufacturer had ***not been prejudiced*** by it. The Court required a showing of delay, coupled with prejudice, and rejected only Champion's contention that delay alone bars prospective relief. *Id.* at 1946. The Court did not reject the concept of economic prejudice as an element of a laches defense. Rather, the Court found that Champion had not demonstrated any such prejudice. In sum, Champion had not satisfied the third element of laches: prejudice.

Jarrow relies upon *Lyons Partnership, L.P. v. Morris Costumes, Incorporated*, 243 F.3d 789 (4th Cir. 2001) for the proposition that, in the Fourth Circuit, "laches does not bar claims for prospective relief under the Lanham Act at all." (Pet. p. 18). Jarrow overstates the holding in *Lyons* and other Fourth Circuit authority is in accord with the general rule. As the Fourth Circuit noted in *Sara Lee Corp.*, *supra*, estoppel by laches may bar relief where the plaintiff has unreasonably delayed seeking redress, despite its knowledge of the defendant's infringing conduct, and the defendant has been prejudiced as a result. The laches defense is limited, however, in situations, unlike the one at bar, where there is no prejudice to the defendant, or demonstrable confusion or other public interest evidenced. *Danjaq*, 263 F.3d at 960. (*See* Pet., Appendix C, p. 58a.) *Lyons* involved a dispute between the creator's of Barney, a purple dinosaur character, and costumers who were creating and renting confusingly similar costumes. There was no evidence of any

13. Jarrow erroneously cites to this case as 686 F.3d 1040 (3d Cir. 1982).

prejudice to defendants as a result of plaintiff's delay in asserting its rights. On the contrary, the costumers had merely added the infringing costumes as one more of the many that they offered to the public. Both *Danjaq* and the Ninth Circuit in the case below noted this distinction. By contrast, the uncontradicted evidence in the case below was that Nutrition Now had invested heavily in developing PB8, to its prejudice, in reliance on Jarrow's acquiescence. Further, the Court in *Lyons* was protecting both the owner's property rights and the public's demonstrated interest in not being confused. Jarrow, by contrast, has no property interest to protect, and, as held by each Court having reviewed the facts of this case, there is no public interest involved. As noted above, the only evidence in the record is of consumer satisfaction with PB8.

Jarrow's reliance on *Kellogg Company v. Exxon Corporation*, 209 F.3d 562 (6th Cir. 2000), *cert. denied*, 531 U.S. 944, 121 S. Ct. 340, 148 L. Ed. 2d 273 (2000) is also misplaced. In that case, the Court did not reject laches as a defense to injunctive relief. Rather, it held that mere delay was insufficient. The court ruled that to "defeat a suit for injunctive relief, a defendant must also prove elements of estoppel which requires more than a showing of mere silence on the part of the plaintiff." *Id.* at 574. Defendant is also required to show that it was misled by plaintiff through actual misrepresentations, affirmative acts of misconduct, intentional misleading silence or conduct amounting to virtual abandonment of the trademark. *Id.* The Court did not find an estoppel since the record reflected a genuine factual issue of whether plaintiff was put on notice regarding defendant's use of the trademark at issue. In fact, when Plaintiff requested examples of defendant's then-current use of the trademark, defendant failed to include examples of the trademark's use in connection with the sale of food items, which led plaintiff to believe that defendant's use was limited

to the promotion of petroleum products. *Id.* Thus, defendant failed to establish the first element of laches: plaintiff's knowledge of defendants' infringement.

B. *Permutations In Terminology Between The Circuits Do Not Undermine The Consensus That Laches May, In Appropriate Circumstances, Bar Prospective Injunctive Relief*

What Petitioner calls a "split" of authority is nothing more than the use of variant terminology by the Courts to describe the same principles that they apply universally: the lapse of time, coupled with prejudice to defendant or other affirmative conduct on plaintiff's part such as estoppel or acquiescence, bars prospective injunctive relief in a trademark infringement action. As J. Thomas McCarthy eloquently stated:

> [a] good deal of confusion in the case opinions is created by differing meanings attached to the word "laches." Some courts use the word to refer only to plaintiff's unreasonable delay in filing suit. Other courts use the word to refer to the conclusion that plaintiff is estopped by its delay coupled with resulting prejudice to defendant . . . most patent infringement cases appear to define "laches" as that delay with resulting prejudice which bars remedies for past infringement, while "estoppel" is that degree of delay and prejudicial reliance on the patentee's inaction which will bar prospective relief as well. The semantic picture is further clouded by confusing use in the trademark cases of the term 'acquiescence.'

5 *McCarthy Trademarks*, § 31.2 (4th ed. 2002).

Professor McCarthy went on to state:

> The inter-relationship between delay, prejudice and estoppel was explained by one court in these terms: In order to find that a claimant's . . . interminable inactivity or negligence has swollen to the level of disabling laches or estoppel, his delay must be an inexcusable one that has consequently prejudiced an innocent user . . . By the mechanics of this precept, equity comes to the aid of an innocent user and grants him refuge from a claimant who has calmly folded his hands and remained silent while the innocent user has exploited and strengthened his mark. . . One who is estopped may be merely the hapless victim of his own lethargy. Estoppel, then is synonymous with apparent or implied acquiescence. *Id.*

Of course there will be variations in the application of the laches doctrine based on factual permutations. This is logical since all Circuits agree that the application of laches is left to the sound discretion of the district court—to be reviewed only for clear error of law or abuse of discretion[14].

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14. **First Circuit**: *Ansin v. River Oaks Furniture, Inc.*, 105 F.3d 745 (1st Cir. 1997), *cert. denied*, 522 U.S. 818, 118 S. Ct. 70, 139 L. Ed. 2d 31 (1969) (laches ruling reviewed under abuse of discretion standard). **Second Circuit**: *Eppendorf Netheler Hinz GMBH v. National Scientific Supply Co.*, 14 Fed. Appx. 102 (2d Cir. 2001) (same). **Third Circuit**: *Holmes v. Pension Plan of Bethlehem Steel Corp.*, 213 F.3d 124 (3d Cir. 2000) (same). **Fourth Circuit**: *White v. Daniel*, 909 F.2d 99 (4th Cir. 1990), *cert. denied* 501 U.S. 1260, 111 S. Ct. 2916, 115 L. Ed. 2d 1079 (1991) (same). **Fifth Circuit**: *Kennedy v. Electricians Pension Plan, IBEW No. 995*, 954 F.2d 1116 (5th Cir. 1992) (same). **Sixth Circuit**: *City of Wyandotte v. Consolidated Rail Corp.*, 262 F.3d 581 (6th Cir. 2001) (same). **Seventh Circuit**: *Hot Wax v. Turtle Wax*, 191 F.3d 813 (7th Cir. 1999) (Cont'd)

These linguistic variations were discussed by the District Court in *Alfred Dunhill of London, Inc. v. Kasser Distillers Products Corp.* 350 F. Supp. 1341 (E.D. Pa. 1972), *aff'd mem.*, 480 F.2d 917 (3d Cir. 1973), where the Court stated:

> The varying visage of the term "laches," i.e., "laches in the sense of mere delay," "laches without more," "laches by estoppel," has only muddled the concept as it is used in trademark law, for restricting the definition of laches only in terms of delay does not comport with the classic definition. *Id.* at 1364-1365.

The *Dunhill* Court concluded that while mere delay may not bar relief, laches does. *Id.* at 1365. Further, the Court determined that laches and equitable estoppel are similar, so it discussed them together, recognizing that "the defendant's intent is an equitable consideration under either." *Id.* The Court also noted that principles of laches by estoppel or equitable estoppel will bar all relief. To invoke equitable estoppel, plaintiff must be charged with inexcusable delay which prejudiced the innocent defendant. *Id.* at 1364.

(Cont'd)

(same). **Eighth Circuit**: *Foy v. Klapmeier*, 992 F.2d 774 (8th Cir. 1993) (court's ruling on equitable matters reviewed under abuse of discretion standard). **Ninth Circuit**: *Danjaq v. Sony Corp.*, 263 F.3d 942 (9th Cir. 2001) (laches ruling reviewed under abuse of discretion or clearly erroneous standard). **Tenth Circuit**: *Roberts v. Colorado State Board of Agriculture*, 998 F.2d 824 (10th Cir. 1993), *cert. denied*, 510 U.S. 1004, 114 S. Ct. 580, 126 L. Ed. 2d 478 (1993) (court's ruling on equitable matters reviewed under abuse of discretion standard). **Eleventh Circuit**: *Godfrey v. BellSouth Telecommunications, Inc.*, 89 F.3d 755 (11th Cir. 1996). **Federal Circuit**: *Wanlass v. Fedders Corp.*, 145 F.3d 1461 (Fed. Cir. 1998) (laches ruling reviewed under abuse of discretion standard).

The concept of evaluating the essence of the defense, regardless of the variant nomenclature involved, was endorsed by the Third Circuit in *Anheuser-Busch, Inc. v. Du Bois Brewing Co.*, 175 F.2d 370 (3d Cir. 1949), *cert. denied*, 339 U.S. 934, 70 S. Ct. 664, 94 L. Ed. 1353 (1950), a case relied on by the Third Circuit in *University of Pittsburgh v. Champion Products, Inc.*, *supra*. In that case, the Court held that after 31 years of delay, the plaintiff was guilty of "inexcusable laches" and was "grossly remiss." *Id.* at 374. The Court found that the long delay prior to the filing of the complaint for injunctive relief amounted to at least an acquiescence, if not an abandonment of the exclusive right in use of the trademark. Accordingly, the Court ruled that plaintiff was estopped from asserting its claim.

III. THE PUBLIC INTEREST IS ADEQUATELY PROTECTED

In the absence of a threat to the public health, as here[15], the public interest in false advertising cases is the same as it is in trademark infringement cases. Accordingly, there is "no distinction between trademark cases and misleading advertisement cases for the purpose of laches. In both contexts, laches may properly be applied so long as its application is equitable in light of the public's interest in being free from confusion and deception." 5 *McCarthy Trademarks*, § 31.1 (4th ed. 2002) *citing Conopco, Inc. v. Campbell Soup Company*, 95 F.3d 187, 193 (2d Cir. 1996) (estoppel by laches found and § 43(a) false advertising charge dismissed), and *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813 (7th Cir. 1999) (twenty-year delay constituted laches which barred plaintiff's false advertising claim).

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15. As noted by both the District Court and the Ninth Circuit, the record is devoid of any evidence of a threat to the public health. On the contrary, the only evidence presented establishes both a benefit to the public health and consumer satisfaction with the PB8 product. (Pet., Appendix A, pp. 19a-19b; Appendix C, p. 60a).

Case law developed in the context of trademark infringement is applicable to the analysis required in this case. Indeed, contrary to Jarrow's assertion (Pet. at p. 22), trademark infringement cases arguably present a more compelling case for prospective relief than do false advertising cases. Typically, in trademark infringement cases, the plaintiff is seeking prospective protection for its valuable property interests. By contrast, false advertising claims involve, at best, economic claims by a party whose interests are market competitive. Such interests present a less forceful case for equitable intervention by way of injunctive relief, particularly preliminary injunctive relief, where the facts are disputed, there is no bad faith, and where the only evidence presented shows public satisfaction with the product that is being attacked by the competitor.

Although the public's interest in being free from confusion with respect to products in the marketplace is important, that interest alone cannot stand as a bar to the application of laches in cases involving Lanham Act claims. *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 826 (7th Cir. 1999). Jarrow's argument disregards completely the fact that, as in *Hot Wax, supra*, Nutrition Now has offered ample evidence of consumer satisfaction with PB8 both by testimonials and market approval. Moreover, Nutrition Now has never been cited for any regulatory violation concerning PB8. This evidence trumps Jarrow's speculative argument regarding harm to the public interest, which is founded solely upon Jarrow's extrapolation of its labeling dispute. Both the District Court and the Ninth Circuit considered and properly rejected Jarrow's claim on this point.

The District Court and the Ninth Circuit expressly weighed the public interests involved and found that, on the facts presented, the only evidence in the record showed a benefit to the public interest, rather than a detriment. (Pet., Appendix A, pp. 19a-20a; Appendix C, p.60a). This, coupled with the prejudice to Nutrition Now caused by Jarrow's extraordinary and unjustified delay, not only in filing suit but also in failing to involve the regulatory agencies actually given the charge of protecting the public interest, renders the decisions of the Courts below correct on these facts.

Jarrow has no evidence in support of its public interest argument. In fact, Jarrow's position "compares apples with oranges." As is noted clearly on Nutrition Now's label, all bacterial counts are made as of the time of manufacturing; however, all of Jarrow's "tests" occurred later and under dubious conditions. Ironically, Jarrow itself markets a competitive product for which it makes similar claims. At best, there are disputed claims regarding the status of certain ingredients. Considering there has been no showing that PB8's labeling is having a negative impact on the public interest, and in the face of satisfaction with the product, Jarrow's self-serving consumer public interest argument should not stand in the way of the application of the doctrine of laches. In short, Jarrow's public interest argument is competitive warfare in disguise.

Importantly, the Food and Drug Administration ("FDA") and the Federal Trade Commission ("FTC") have the authority to and do supervise and regulate the field, using, among other tools, the Dietary Supplement Health and Education Act of 1994 ("DSHEA") together with federal and state unfair business practice and false advertising laws.

21 C.F.R. §§ 101.13, 101.14 and 101.36 (2001). Those agencies have "jurisdiction" to take action against nutritional supplement companies. If Jarrow truly believed that PB8 presented a threat to the public interest, it would have sought to involve those agencies. Inexplicably, however, in the face of such an allegedly dire threat to the public, Jarrow never tried to involve either agency. The reason for Jarrow's reticence is that Jarrow was likely more interested in the potential for obtaining monetary relief, so it proceeded only by the instant lawsuit.

Regardless of Jarrow's motivation, it lacks standing to pursue claims under DSHEA and cannot bootstrap Lanham Act claims into an enforcement action. Individuals cannot use the Lanham Act's provisions against false, deceptive and misleading advertising to enforce FDA regulations. *Mylan Laboratories, Inc. v. Matkari*, 7 F.3d 1130, 1139 (4th Cir. 1993). Ingenious pleading to escape the principle that FDCA does not create a private right of action by making it appear that another law "not truly appropriate is applicable" is contrary to the established case law. *See Eli Lilly & Co. v. Roussel-Uclaf Holdings Corp.*, 23 F. Supp. 2d 460 (D.N.J. 1998) ("every federal court that has addressed the issue has held that the FDCA does not create a private right of action to enforce or restrain violations of its provisions and accompanying regulations"); and *Dial A Car, Inc. v. Transportation, Inc.*, 82 F.3d 484, 490 (D.C. Cir. 1996) (rejecting the "back door method" of enforcing administrative agency rules through the use of the Lanham Act).

The economic nature of Jarrow's claims render its plea for prospective injunctive relief suspect on at least two fundamental grounds. First, Jarrow's argument that it is truly seeking to protect the public interest, as its claims are presented

before this Court, is belied by its extensive delay in asserting those claims, despite particularized threats of action to be taken both via litigation and by complaint before regulatory agencies (*i.e.*, the Federal Trade Commission and/or The Food and Drug Administration). In short, Jarrow's actions speak louder than its words. Second, if Jarrow's delay in asserting its claims was prompted by the fact that only by the year 2000, after Nutrition Now had, via its marketing expenditures, established a strong position in the market, did Jarrow believe it worthwhile to pursue its alleged claims, it has thus shown its true colors. Jarrow either lay in wait until the prospect of economic damages was sufficiently lucrative to justify the litigation effort, or until the market impact upon its business was noticeable. Either way, Jarrow's equitable position must be balanced against the prejudice to Nutrition Now, both in the form of evidentiary prejudice and in the form of economic prejudice incurred by Nutrition Now in reliance on the hollowness of Jarrow's threat of suit.[16]

On balance, as found by both the District Court and the Ninth Circuit, Nutrition Now's prejudice was substantial and far outweighed any equitable claim presented by Jarrow. On the facts presented, that determination should not be disturbed by this Court.

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16. *See* n.10, *supra*.

CONCLUSION

For the foregoing reasons, Nutrition Now respectfully requests that the Petition for Writ of Certiorari be denied.

Respectfully submitted,

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IN THE
SUPREME COURT OF THE UNITED STATES

JARROW FORMULAS, INC.

Petitioner,

v.

NUTRITION NOW, INC.

Respondent.

On Petition for a Writ of Certiorari to the United State Court of Appeals for the Ninth Circuit

PETITIONER'S REPLY BRIEF

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PETITIONER'S REPLY BRIEF

The Brief in Opposition attempts to mask the existence of a clear and deep split in the circuits by (1) ignoring any distinction between trademark infringement, false advertising, and mislabeling claims under the Lanham Act, and thus concluding that the issue is settled by ancient precedent dealing with intellectual property disputes, (2) ignoring the clear Fourth Circuit holding that laches is no defense to a claim for prospective injunctive relief, instead mischaracterizing dicta from century-old cases to conclude that the Fourth Circuit would allow such a defense, and (3) characterizing the split between the remaining Courts of Appeals over the manner in which laches may apply as a mere dispute over semantics, when in fact different outcomes arise under the same set of facts within these Circuits. A careful reading of the caselaw of this Court and the Circuit Courts reveals a clear split between the Fourth Circuit, the Sixth and Third Circuits, and the Second, Seventh, and Ninth Circuits over whether, and under what circumstances, laches may be used as a defense to claims for prospective injunctive relief for false advertising and mislabeling claims arising under the Lanham Act.

Respondent also urges that the public interest is adequately protected by the ruling below, simply because there is no direct threat to the public health posed by its product. Respondent cites the fact that customers have been satisfied with its product, and the fact that the FDA and FTC have not started regulatory enforcement actions against Nutrition Now. If customers indeed have not complained about PB8, lacking laboratories, they would have no method for determining whether the product contains the ingredients listed on the label. If some PB8 customers believe that this placebo is effective, it is precisely these duped customers that need protection from PB8's false claims. Nor can the FTC and FDA standing alone adequately protect consumers. With vast numbers of new nutritional supplements entering the

market each year – many from fly-by-night organizations that appear for a while, market a product, then disappear, only to reappear again months later in a different location with a new name and new product – these organizations can barely find the resources to attempt to regulate products that pose a direct threat to the public health. Those products that are not inherently harmful, yet simply do not contain the ingredients they purport to contain, necessarily slip beneath their notice.

I. THIS COURT NEVER HELD THAT LACHES MAY BAR CLAIMS FOR INJUNCTIVE RELIEF FOR FALSE ADVERTISING OR MISLABELING UNDER THE LANHAM ACT.

Petitioner agrees that the Supreme Court precedent relied on by the Respondent reflects the possibility of a laches defense to claims for trademark infringement. However, the Respondent's attempts to rely on this precedent to insinuate that this Court has already addressed the Questions Presented ignores the important differences between trademark claims and false advertising or mislabeling claims under the Lanham Act. As Petitioner has explained, laches rules that may make sense in the context of intellectual property have been imported wholesale, and without significant thought, into the entirely different context of product mislabeling, where they are injurious to the public interest. Cert. Petn. at 10-17.

For this reason, while Respondent would have this Court view the case through the lens of intellectual property, urging that this Court has already held that laches may be a defense to claims for prospective injunctive relief, *see* Opp. Br. at 12-14, this Court should see through that ruse. There is simply no issue of trademark infringement in this case. The two antiquated cases cited by Respondent consequently have only marginal bearing on either of the questions presented.

This case involves claims of false advertising and mislabeling. While those kinds of claims may be brought under the Lanham Act, just like trademark infringement claims, this does not mean that all of trademark law suddenly

applies to such claims simply because both types of claims are governed by the same Act. This Court has noted that unfair competition claims may be subject to different rules than trademark claims, in one of the cases relied on by Respondent, *Hanover Star Milling Company* v. *D.D. Metcalf*, 240 U.S. 403 (1916). In that case, the Court denied an injunction against an infringing use, not because the defendant "expended money and efforts to build its trade," Opp. Br. at 3, but because the two distributors served different geographic regions, the defendant had not "pass[ed] off goods of his manufacture as being the goods of the owner of that mark." *Id.* at 412. In other words, there was no likelihood of confusion between the two products, a prerequisite of trademark infringement. *See id.* at 415-416.

Prior to reaching its holding in that case, this Court drew an important distinction between intellectual property and false advertising. As the Court explained, "[h]ere the bill [of complaint] is rested upon alleged trademark infringement, pure and simple, and no question of unfair competition is involved." *Id.* at 412. The very rationale underlying the possibility of laches in that case was, according to the Court, the unique nature of trademark infringement claims. As this Court explained:

> It results from the general principles thus far discussed that trademark rights, *like others that rest in user*, may be lost by abandonment, nonuse, laches, or acquiescence.... As to laches and acquiescence, it has been repeatedly held, in cases where defendants acted fraudulently or with knowledge of plaintiffs' rights, that relief by injunction would be accorded. . . .

Id. at 418-19 (emphasis added).

Obviously, then, the Court discussed the possibility of laches only within the context of trademark rights.

Furthermore, this Court explained that the reason laches was applicable was because trademark rights were user-based rights (*i.e.*, the trademark owner is the one who benefits from the right). In contrast, the right to be free of false advertising lies not in a competing distributor, but instead with the consuming public. A competing distributor has an economic incentive to bring suit, to be sure, and it is this very incentive that the Lanham Act relies on to encourage individuals with sufficient resources to sue a competitor who advertises falsely, in order protect the public interest. Consequently, the distinction between trademark infringement and other forms of unfair competition (such as false advertising or mislabeling) drawn by the Court in *Hanover Star Milling* provides support for a ruling that laches applies to trademark infringement claims, but not false advertising or mislabeling.

Furthermore, intellectual property, false advertising, and mislabeling are fundamentally different claims and generally governed by divergent bodies of law. With respect to intellectual property, courts have long observed that a trademark is a form of state-created property right, which provides protection similar to that of a state-created monopoly. While this monopoly-like protection is granted by the state for an important purpose – generally to encourage innovation and the development of business goodwill – the protection itself is an anathema to a market economy, and it is unsurprising that relatively strict legal rules have been crafted with respect to determining when that monopoly has ended. Strict applications of laches does not, therefore, conflict as severely with the legal rules applicable to intellectual property as it does with the legal rules relating to other forms of unfair competition.

With respect to false advertising, there is no advantage in terms of innovation that comes from allowing someone to advertise a product falsely – indeed, allowing a distributor to falsely advertise or label a product actually discourages innovation and the development of business goodwill.

Rather than invest money in developing a probiotic product that is actually shelf stable and which contains eight active strains of bacteria, Nutrition Now can reap all of the benefits of such an innovation merely by falsely claiming on PB8's label that it has done so. And any other unscrupulous product distributor could do likewise. It is unsurprising, then, that this Court has not yet imported the discussion of laches in *United Drug* and *Hanover Star Milling* from the trademark infringement context to the false advertising or mislabeling context.[1] As a result, the split described in the petition for certiorari has developed in the lower courts. *See* Petn. for Cert. at 10-21.

II. THE FOURTH CIRCUIT DOES NOT PERMIT LACHES TO BAR INJUNCTIVE RELIEF UNDER THE LANHAM ACT.

Respondent relies on *Skippy, Inc.* v. *CPC International*, 674 F.2d 209 (4th Cir. 1982), for the proposition that laches is available as a defense in the Fourth Circuit to false advertising claims seeking prospective injunctive relief. That case does not support any such proposition for several independent reasons. First, Skippy involved only a claim of trademark infringement, not false advertising. Second, the claim at issue in *Skippy* (which the Court found to be barred by laches) was one for past damages, not prospective injunctive relief. *See Skippy*, 674 F.2d at 212. It is well settled that laches may bar claims of past damages, since the public interest is not harmed by the absence of such damages so long as the public is protected from future misconduct.

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[1] Nor did this Court, even in dicta, purport to rule that laches applied to false advertising or mislabeling cases under the Lanham Act in *San Francisco Arts & Athletics, Inc.* v. *United States Olympic Committee*, 483 U.S. 522, 531 (1987). When this Court stated in a footnote that "[t]he user may, however, raise traditional equitable defenses, such as laches," it was clearly referring only to the USOC's trademark claim. *Id.*

Consequently, the Court's discussion of the applicability of laches to injunctive relief, *viz*, "[w]hile the availability of laches as a defense to claims for injunctive relief may be limited when the defendant is guilty of bad faith infringement . . . laches will bar a claim for bad faith infringement," was dicta in the purest sense used to set up the court's holding relating to a claim for damages. *Id.* Any broader holding would have been beyond the power of the court in that case.[2]

Nor did the Fourth Circuit hold that laches was available as a defense to false advertising or mislabeling claims in *Sara Lee Corporation* v. *Kayser-Roth Corporation*, 81 F.3d 455 (4th Cir. 1996). Again, *Sara Lee* was a trademark infringement case, and considerations regarding whether laches might apply to a claim for mislabeling or false advertising differ. In any event, in that case the Court held that the manufacturer's claim was NOT barred by laches. Its statements regarding instances in which laches might be available in light of a claim for prospective injunctive relief, even with respect to trademark infringement claims, were thus *dicta*. *See id.* at 461.

This reading of *Skippy* and *Sara Lee* is confirmed by the Fourth Circuit's decision in *Lyons Partnership* v. *Morris Costumes, Inc.*, 243 F.3d 789 (4th Cir. 2001). In that case, the Fourth Circuit reversed a district court ruling that the plaintiffs claims were time-barred and denied any laches defense, thus expressly holding that laches could pose no bar to prospective injunctive relief under the Lanham Act, even in the context of trademark infringement (much less in advertising or mislabeling) The court plainly stated:

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[2] If the *Skippy* court intended, as Respondent suggests (pp. 16-17), to sweep the entirety of laches law into all Lanham Act claims, it would surely have engaged in a more extended discussion, as confirmed by the breadth of discourse in such opinions as *Hot Wax* and *Danjaq*.

> If the claim is one for injunctive relief, *laches would not apply*. A prospective injunction is entered only on the basis of current, ongoing conduct that threatens future harm. Inherently, such conduct cannot be so remote in time as to justify the application of the doctrine of laches.

Id. at 799 (emphasis added). In pronouncing that laches "would not apply" "[i]f the claim is one for injunctive relief," the *Lyons* court cited to *Sara Lee*, something it could hardly have done if the court believed it had held that "laches could apply" to prospective injunctive claims in that earlier case.

Respondent attempts to distinguish *Lyons* by arguing that in *Lyons*, there was no evidence that the Defendant had been "prejudiced" by the plaintiff's delay in bringing suit. Rather than being a grounds for distinction, this is simply unsurprising. Because laches is unavailable as a defense in the Fourth Circuit – the *Lyons* court could not have been clearer on this point – the court had no need to examine whether the Defendants had invested a significant amount of money in marketing the infringing Barney costumes at issue in that case. Only a court in the Seventh or Ninth Circuit would ask such a question – as Respondent reveals by citing as frequently to the Ninth Circuit decision in *Danjaq* as *Lyons* itself in discussing the case. *See* Opp. Br. at 19-20. The *Lyons* court said the plaintiff's claim "*inherently* cannot be so remote" as to allow for laches. *Lyons Partnership*, 243 F.3d at 799 (emphasis added). Respondent's attempts to re-write that language to read that the plaintiff's conduct "caused no prejudice to the defendant" is simply contrary to fact. *See id.* For this reason, the Fourth Circuit stands firmly split with the Seventh and Ninth Circuits regarding whether laches applies to claims for prospective relief.

III. THE REMAINING CIRCUITS DISAGREE AS TO THE PROPER TEST FOR DETERMINING WHETHER LACHES APPLIES.

Respondent also ignores the differences in the laches tests used by the Seventh and Ninth Circuits,[3] on the one hand, and Third and Sixth Circuits, on the other. What Respondent characterizes as mere "permutations in terminology" are, in fact, outcome-determinative differences in the tests.

Respondent argues that "[w]hat petitioner calls a split authority is nothing more than the use of variant terminology by the Courts to describe the same principles that they universally apply." Opp. Br. at 21. This is untrue, and nothing in the remainder of the brief refutes Petitioner's argument that the Seventh and Ninth Circuits allow laches to bar claims for prospective injunctive relief for mislabeling and false advertising by focusing on the defendant's marketing conduct, whereas the Third[4] and Sixth Circuits

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[3] In *Conopco, Inc.*, v. *Campbell Soup Co.*, 95 F.3d 187, 191-92 (2nd Cir. 1996), the Second Circuit also applied laches to bar injunctive relief in a false advertising case, using an understanding of prejudice encompassing the defendant's marketing investments. But placing the Second Circuit with the Seventh and Ninth only serves to deepen the lower court split on these critical issues and increases the need for review by this Court.

[4] While Respondent argues that *Anheuser-Busch, Inc.* v. *Du Bois Brewing Co.*, 175 F.2d 370 (3rd Circuit 1949), stands for the proposition that the Third Circuit would impose laches where prejudice has been created by "defendant's advertising defenses and local good will," *see* Opp. Br. at 16 n. 11, that Court actually rested its holding on the passage of time. Noting that "we need not rest our decision upon the time factor alone," it went on to discuss the prejudice that had been posed *to the defendant's ability to mount a legal defense*. 175 F.2d at 374. Consequently, it is in complete accord with *University of Pittsburg*. Nor is *Sobosle* v. *United States Steel Corp.*, 359 F.2d 7 (3rd Cir. 1966), to the contrary, for the Defendant's prejudice therein was not caused by its chosen marketing investments, and that case did not involve the Lanham Act in any event.

focus only on the plaintiffs conduct, and whether the delay has been so incredibly long as to constitute a virtual abandonment of right. *See* Cert. Petn. at 18-21. These are outcome-determinative differences, not distinctions based on mere semantics. If Jarrow had brought suit in the Third or Sixth Circuits, his delay would not have been so long as to merit the application of laches under *University of Pittsburgh*, v. *Champion Products, Inc.*, 686 F.2d 1040 (3rd Cir. 1982), or *Kellogg Company* v. *Exxon Corp.*, 209 F.3d 562 (6th Cir. 2000), because seven years is not so long as to constitute a virtual abandonment of right, and because there has been no prejudice to Nutrition Now's ability to mount a legal defense. In the court below, however, or in Second or Seventh Circuits, the defendant's decision to invest money in mislabeling its products suddenly insulates it from suit. Consequently, a court's decision to focus on the plaintiff's conduct or the defendant's, and how much time must pass before laches ought be invoked, simply matters, and in many cases will be outcome-determinative.

Respondent also argues that Jarrow is mistaken in noting that there is a difference of opinion as to whether economic injury caused by a delay may constitute prejudice for laches purposes. *See* Opp. Br. at 15, n11. That the Second, Seventh, and Ninth circuits believe that economic injury may constitute prejudice is undisputed, since this forms one-half of the split. Respondent ignores the Fifth circuit authority and treatises cited in the petitioner for Certiorari at page 13, footnote 7. Respondent also urges that the Fourth Circuit falls within the group that recognizes economic injury as a form of prejudice based on Respondent's reading of a case from 1918; this reading is obviously incorrect given the Circuit's pronouncement last year that laches is not a defense to claims for prospective injunctive relief at all.

IV. THE DECISION BELOW FAILS TO PROTECT THE PUBLIC INTEREST.

Respondent argues that the public's interest is adequately protected by the decision below, because, under *Hot Wax*, the public has no real interest in truthful advertising or accurate product labeling. *Hot Wax* is simply incorrect to the extent it supports this ludicrous proposition.

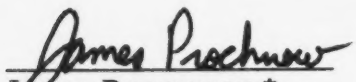
Consumers suffer two very important types of injuries resulting from mislabeling and false advertising. First, there is the direct economic injury, in the form of wasted money, that comes from purchasing a "dead" product. Second, consumers are injured to the extent they purchase these products as a substitute for other treatments that may offer them genuine health benefits. So, for example, purchasers of PB8 may forgo (1) purchasing a properly refrigerated, active LAB product that contains more than one form of bacteria, or (2) making lifestyle changes, such as changes to diet, that can affect the bacteria working in the body.

Courts have recognized these two types of harms as serious and crafted legal rules accordingly. For example, in the context of comparative advertising claims seeking injunctive relief, it is well established that there is a presumption of irreparable harm caused by a distributor making false of misleading claims. *See, e.g., McNeilab, Inc.* v. *American Home Prods. Corp.*, 848 F.2d 34, 38 (2nd Cir. 1988); *Valu Eng'g* v. *Nolu Plastics, Inc.*, 732 F. Supp. 1024, 1025 (N.D. Cal. 1990). How can courts conclude that false advertising causes irreparable injury in one context, while in another conclude the public has no interest in remaining free of false advertising? The inconsistency awaits this Court's resolution.

CONCLUSION

For the foregoing reasons, a writ of certiorari should issue to review the judgment of the United States Court of Appeals for the Ninth Circuit.

Respectfully submitted,



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